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12 Attorneys for Defendant/Counter-Claimant
AMERICAN TECHNICAL CERAMICS CORP.

14 UNITED STATES DISTRICT COURT
15 SOUTHERN DISTRICT OF CALIFORNIA

17 PRESIDIO COMPONENTS, INC.,

18 Plaintiff,

19 v.

20 AMERICAN TECHNICAL CERAMICS CORP.,

21 Defendant.

22 AMERICAN TECHNICAL CERAMICS CORP.,

23 Counter-Claimant,

24 v.

25 PRESIDIO COMPONENTS, INC.,

26 Counter-Defendant.
27
28

Case No. 3:08-cv-00335-IEG-NLS

AMENDED NOTICE OF APPEAL

Chief Judge Irma E. Gonzalez

1 Pursuant to Fed. R. App. P. 3 and 4(a)(4)(B)(i)-(iii) and 28 U.S.C. § 1291, Amended Notice
2 of Appeal is hereby given that Defendant American Technical Ceramics Corp. (“ATC”) appeals to
3 the United States Court of Appeals for the Federal Circuit from:

4 this Court’s Order dated October 26, 2010 denying ATC’s motion to amend judgment or for
5 a new trial regarding anticipation and obviousness based on newly discovered evidence and
6 Presidio’s failure to disclose it to ATC (Dkt. No. 388);

7 Judgment (Dkt. No. 387);

8 Order dated October 26, 2010 directing the Clerk to enter judgment, *inter alia*, against ATC
9 and in favor of Presidio (Dkt. No. 386);

10 Order dated August 25, 2010 denying ATC’s motion to amend judgment or for a new trial
11 regarding Presidio’s false marking prior to October 24, 2008 based on intervening law (Dkt. No.
12 377);

13 Order dated August 5, 2010 setting supplemental damages for the period between December
14 1, 2009 and April 13, 2010 and setting ongoing royalty rate for the period after April 13, 2010, both
15 adversely to ATC (Dkt. No. 367);

16 Order dated April 13, 2010 (Dkt. No. 348) denying in part, *inter alia*, ATC’s motions for
17 judgment as a matter of law and/or for a new trial [Doc. No. 309] and with respect to Presidio’s
18 false marking before October 24, 2008 [Doc. No. 308], and denying ATC’s motion for entry of
19 ATC’s proposed findings of fact and conclusions of law regarding indefiniteness [Doc. No. 311],
20 unenforceability of the ‘356 patent for inequitable conduct [Doc. No. 312], and Presidio’s fines for
21 false marking [Doc. No. 310];

22 Orders denying ATC’s oral motions pursuant to Rule 50 (Dkt. Nos. 283, 287, 290, 292)

23 Order denying ATC’s request that plaintiff produce original documents for reproduction
24 (Dkt. No. 275);

1 Order granting Presidio's Motion in Limine to Preclude Evidence of Reexamination of the
2 '356 Patent (Dkt. No. 252);

3 Order denying ATC's motions in limine and granting Presidio's motions in limine (Dkt. No.
4 250);

5 Order denying ATC's Argument Regarding Proposed Additional Admitted and Uncontested
6 Facts (Dkt. No. 198);

7 Order denying ATC's Motion to Compel Plaintiff to Comply with Court's Order and to
8 Produce Documents (Dkt. No. 178);

9 Order denying ATC's Motion for Leave to Amend Answer and Counterclaims (Dkt. No.
10 177);

11 Order denying in part ATC's Motion for Leave to Take Deposition of Presidio's Expert
12 Witnesses (Dkt. No. 98);

13 Order granting in part Presidio's motion to compel (Dkt. No. 69);

14 Order granting Presidio's Motion to Quash ATC's Objections to Disclosure to Experts;
15 Denying ATC's Motion to Disqualify Dr. Ewell (Dkt. No. 59);

16 Order denying in part ATC's Motion To Compel Plaintiff To Produce Documents And
17 Respond To Interrogatories (Dkt. No. 58);

18 Order denying ATC's Motion For Summary Judgment Of Indefiniteness (Dkt. No. 32);

19 Claim Construction Order (Dkt. No. 24);

20 Any future Order(s) awarding any costs to Presidio; and

21 any and all other orders, rulings, findings, and/or conclusions of the Court adverse to ATC.

22 The amount of \$455 for the \$450 fee for docketing a case on appeal specified in 28 U.S.C.
23 § 1913 and the \$5 fee for filing a Notice of Appeal specified in 28 U.S.C. § 1917 has been
24 previously paid with the original notice of appeal, Receipt No. CAS013351. (Dkt. No. 357). "No
25 additional fee is required to file an amended notice." Fed. R. App. P. 4(a)(4)(B)(iii).

1 Dated: November 24, 2010

Respectfully submitted,

2 MINTZ, LEVIN, COHN, FERRIS,
3 GLOVSKY AND POPEO, P.C.

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CERTIFICATE OF SERVICE

I, the undersigned, certify and declare that I am over the age of 18 years, employed in the County of New York, State of New York, and am not a party to the above-entitled action.

On November 24, 2010, I caused a copy of the following document(s):

AMENDED NOTICE OF APPEAL

to be served by electronically filing the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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Executed on November 24, 2010, in New York, New York.

/s/ Timur E. Slonim
Timur Slonim

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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**
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11 PRESIDIO COMPONENTS, INC.,

12 Plaintiff,

13 vs.

14 AMERICAN TECHNICAL CERAMICS
15 CORP.,

16 Defendant.

CASE NO. 08cv335-IEG(NLS)

Order Denying Defendant ATC's
Motion to Amend Judgment or for
New Trial [Doc. No 369]

17
18 Defendant American Technical Ceramics Corp. ("ATC") moves the Court under Fed. R.
19 Civ. P. 60(b) and Civ. L.R. 7.1(i)(2) to amend that portion of its April 13, 2010 order denying
20 ATC's motion for JMOL, or for a new trial, with respect to anticipation and obviousness of the
21 '356 patent. Plaintiff Presidio Components, Inc. ("Presidio") filed an opposition and ATC filed a
22 reply. Thereafter, Presidio submitted additional evidence relating to the motion and ATC
23 submitted a supplemental reply.

24 The Court found ATC's motion appropriate for submission on the papers and without oral
25 argument, and previously vacated the hearing. For the reasons explained herein, ATC's motion is
26 DENIED.

27 **Background**

28 The case was tried to a jury in December 2009, resulting in a verdict finding all of the

1 Plaintiff's asserted patent claims to be valid and infringed. The jury found ATC failed to prove,
2 by clear and convincing evidence, that any of the claims of the '356 patent were anticipated or
3 obvious.¹

4 In its post-trial motions, ATC sought judgment as a matter of law that certain prior art
5 anticipated the claims of the '356 patent and that the asserted claims of the '356 patent were
6 obvious to a person of ordinary skill in light of the prior art. The Court denied ATC's motion by
7 order filed on April 13, 2010. [Doc. No. 348, pp. 18.]

8 ATC now moves the Court for an order vacating that portion of its April 13, 2010 order
9 denying ATC's post-trial motions on anticipation and obviousness, or in the alternative for a new
10 trial on such issues. ATC argues there is newly discovered evidence, of which Presidio knew but
11 failed to disclose the evidence during trial. ATC argues the new evidence shows as a matter of
12 law that the claims of the '356 patent were anticipated by, and made obvious in light of, prior art.

13 The new evidence upon which ATC relies is the "Sprague publication." [Fabricius, J.H.
14 and Olsen, A.G., *Monolithic Structure – A New Concept for Ceramic Capacitors*, Sprague
15 Technical Paper No. 58-6 "Wescon" Western Electric Show and Convention, Los Angeles,
16 California, August 21, 1958, attached as Exhibit 1 to ATC's motion.] Presidio learned of the
17 Sprague publication during trial, when a Presidio employee obtained it through a third party. ATC
18 learned of the Sprague publication in May of 2010 when Presidio cited it to the U.S. Patent and
19 Trademark Office in the ongoing reexamination proceedings.

20 Discussion

21 ATC argues it is entitled to relief under Fed. R. Civ. P. 60(b)(2) or (3). Rule 60(b)(2)
22 provides for relief from judgment based upon newly discovered evidence. Rule 60(b)(3) provides
23 for relief from a judgment based upon "fraud, ... misrepresentation, or misconduct by an opposing
24 party." While Rule 60(b)(2) is aimed at correcting judgments which are factually incorrect, Rule
25 60(b)(3) is aimed at judgments which were unfairly obtained. Bunch v. United States, 680 F.2d

26
27 ¹The jury was asked to determine whether claims 1-5, 16, 18, and 19 of the '356 patent
28 were obvious in light of the combination of the Heron patent (U.S. Patent No. 4,931,901) with the
Aoyagi patent (U.S. Patent No. 5,978,205), or whether claims 2 or 4 of the '356 patent were
obvious in light of the combination of the August 2000 capacitors which Presidio sold to JDS
Uniphase with the Aoyagi patent. [Doc. No. 298, pp. 3-4.]

1 1271, 1283 (9th Cir. 1982).

2 A. Rule 60(b)(2)

3 The court may grant relief under Rule 60(b)(2) where

4 (1) the moving party can show the evidence relied on in fact constitutes “newly
5 discovered evidence” within the meaning of Rule 60(b); (2) the moving party
6 exercised due diligence to discover this evidence; and (3) the newly discovered
evidence [is] of “such magnitude that production of it earlier would have been
likely to change the disposition of the case.”

7 Feature Realty, Inc. v. City of Spokane, 331 F.3d 1082, 1093 (9th Cir. 2003) (quoting Coastal
8 Transfer Co. v. Toyota Motor Sales, U.S.A., Inc., 833 F.2d 208, 211 (9th Cir. 1987)). ATC argues
9 the Sprague publication is newly discovered, which could not have been discovered earlier, and
10 would most certainly have changed the disposition of the case.

11 1. New evidence and diligence

12 Although ATC only learned of the Sprague publication in May of 2010, Presidio argues it
13 is not “newly discovered” because it was, and always has been, publicly available. The Sprague
14 publication was presented at the Western Electronic Show and Convention in 1958, and
15 republished in 2002 in Passive Component Industry Magazine, “a high-end online publication
16 dedicated to the promotion of the passive electronic component industry.”
17 <http://www.passivecomponentmagazine.com>. Presidio argues ATC could have located the
18 publication by diligently searching the internet.

19 Newly discovered evidence for purposes of Rule 60(b)(2) is evidence that was not “in the
20 moving party’s possession at the time of trial or could [not] have been discovered with reasonable
21 diligence.” Coastal Transfer Co., 833 F.2d at 212. Readily available public information typically
22 cannot constitute “newly discovered evidence” within the meaning of Rule 60(b)(2). PageMasters,
23 Inc. v. Oce-Technologies, B.V., 2007 WL 2696854 (D. Ariz. 2007) (citing Scutieri v. Paige, 808
24 F.2d 785, 794 (11th Cir. 1987)). Here, however, it is not apparent that the Sprague publication was
25 readily available to the public such that ATC could have discovered it upon a diligent search of the
26 internet. In opposition to ATC’s motion, Presidio attaches the results of an internet search it
27 performed, which contains a link to the Sprague publication. Presidio, however, performed its
28 search on a less-than-mainstream search engine, using search terms contained in the title of the

1 publication rather than terms that were relevant and in dispute in this case. The search revealed
2 56,400 results, and the Sprague publication was on the page containing results 91-100. [Presidio's
3 Opposition, Exhibit B.] ATC used the same terms to conduct a search on Google, and the Sprague
4 article did not appear among the first 100 results. [Reply Declaration of Peter Snell, Exhibit 2.]
5 Presidio, itself, was not aware of the Sprague publication until after the start of trial. Therefore,
6 the Sprague publication was not readily available to the public and constitutes newly discovered
7 evidence within the meaning of Rule 60(b)(2).

8 Furthermore, ATC engaged in extensive efforts to uncover relevant prior art to the '356
9 patent. Counsel for ATC spent over 200 hours searching for relevant prior art, and ATC hired
10 three outside search firms to perform prior art searches. [Declaration of Peter Snell in Support of
11 Motion, Exhibit 3 to ATC's motion, ¶ 2.] ATC has shown it exercised due diligence but
12 nonetheless did not learn of the Sprague publication until after conclusion of the trial in this case.

13 2. Importance of the Sprague publication

14 ATC is entitled to relief based upon the newly discovered Sprague publication, however,
15 only if ATC demonstrates the article is of such a magnitude that its earlier discovery likely would
16 have changed the disposition of this case. ATC argues it is entitled to relief under Rule 60(b)(2)
17 because the Sprague publication inherently anticipates the "fringe-effect capacitance" described in
18 claims 1, 3, 5, 16, and 18-19 of the '356 patent, and renders all of the asserted claims obvious in
19 combination with other prior art references. The Court disagrees.

20 As explained by the Court in its April 13, 2010 order, anticipation under 35 U.S.C. § 102 is
21 an affirmative defense, which the defendant must demonstrate by clear and convincing evidence.
22 i4i Ltd. Partnership v. Microsoft Corp., 598 F.3d 831, 847 (Fed. Cir. 2010). "A patent claim is
23 deemed anticipated when every element and limitation of the claim is found in a single prior art
24 reference, either explicitly or inherently." PharmaStem Therapeutics, Inc. v. ViaCell, Inc., 491
25 F.3d 1342, 1369 (Fed. Cir. 2007). What a prior art reference discloses, for purposes of
26 anticipation analysis, is a factual determination; therefore, the Court will not disturb a jury's
27 finding so long as it was supported by substantial evidence. i4i Ltd. Partnership, 598 F.3d at 848.

28 ATC argues the Sprague publication proves that since 1958 a capacitor designer has known

1 that “*the obvious way to increase the capacity*” of a multilayer capacitor is to “*extend[] [the*
2 *contacts] over the body of the capacitor to form two additional electrodes.*” [ATC’s motion, p. 1.]
3 ATC argues the capacitor contacts disclosed in the Sprague publication and claimed in the ‘356
4 patent are identical. Two external contacts are positioned in an edge-to-edge relationship and
5 extended closer together from an undefined point A to an undefined point B. The natural result of
6 this extension is the formation of fringe-effect capacitance. Thus, ATC argues claim 1 is
7 inherently anticipated by the Sprague publication.

8 However, the Court found in its April 13, 2010 order, “there was substantial evidence
9 before the jury to conclude that ‘fringe-effect capacitance’ is *not* always present – i.e. that it is not
10 always *determinable* or ‘*capable of being determined* in terms of a standard unit’ as required by
11 the Court’s claim construction.” [Doc. No. 348, p. 11.] The Sprague publication does not disclose
12 “fringe effect capacitance” or disclose or teach that “fringe effect capacitance” would result from
13 extending external electrodes close together or that such a capacitance would be “determinable.”
14 At best, the Sprague publication is cumulative of the references ATC relied upon at trial to argue
15 that the prior art discloses the existence of fringe effect capacitance and a fringe effect capacitance
16 that is determinable. Therefore, the Sprague publication would not have likely changed the
17 outcome of the jury’s determination that the ‘356 patent was not anticipated by the prior art, or the
18 Court’s denial of ATC’s post-trial motion on that question.

19 Similarly, the Sprague publication is not of such a magnitude that it would likely change
20 the outcome of the obviousness inquiry. As with anticipation, the patent challenger has the burden
21 to demonstrate by clear and convincing evidence that “a person of ordinary skill in the art would
22 have had reason to attempt to make the composition or device, or carry out the claimed process,
23 and would have had a reasonable expectation of success in doing so.” PharmaStem, 491 F.3d at
24 1360. The court must “look to interrelated teachings of multiple patents; the effects of demands
25 known to the design community or present in the marketplace; and the background knowledge
26 possessed by a person having ordinary skill in the art, all in order to determine whether there was
27 an apparent reason to combine the known elements in the fashion claimed by the patent at issue.”
28 KSR Int’l Co. v. Teleflex, Inc., 550 U.S. 398, 418 (2007).

1 At trial, ATC argued the claims of the '356 patent were obvious in light of the combination
2 of the Heron patent with the Aoyagi patent and the combination of the August 2000 capacitors
3 with the Aoyagi patent. As the Court noted in its April 13, 2010 order, however, neither the Heron
4 patent nor the August 2000 capacitors by itself teaches fringe-effect capacitance, such that a
5 combination with the Aoyagi patent would not have made that more obvious. [Doc. No. 348. p.
6 16.] The Sprague publication does not teach or disclose fringe effect capacitance or how such
7 capacitance would result from extending external electrodes close together. The Sprague
8 publication also does not disclose or teach that a determinable fringe effect capacitance would
9 result from extending external electrodes close together. There was sufficient evidence at trial to
10 show that electrodes with ends close together do not necessarily create a fringe-effect capacitance
11 that is "capable of being determined in terms of a standard unit," such that the Sprague
12 publication's reference to the separation distance between the contacts is, by itself, insufficient to
13 demonstrate the existence of such fringe effect capacitance.

14 In light of these deficiencies in the Sprague publication, ATC cannot show the publication,
15 combined with reference to Heron and/or Aoyagi, render the asserted claims obvious to a person of
16 ordinary skill in the art. The Court noted in its April 13, 2010 order that the Aoyagi patent "only
17 teaches an insulating layer across the surface" such that its combination with Heron and/or the
18 August 2000 capacitors would not have made the teaching of fringe-effect capacitance any more
19 obvious. Similarly, combination of the Aoyagi patent with the Sprague publication would not
20 render the claims of the patent obvious. The Heron patent is directed to the use of additional
21 internal electrodes to achieve value capacitance and does not teach many of the claim limitations
22 found in the asserted claims. Therefore, the Heron patent does not supply information missing
23 from the Sprague publication or make the asserted claim limitations obvious in combination. The
24 Sprague publication does not, in combination with the other prior art evidence presented at trial,
25 constitute clear and convincing evidence that a person of ordinary skill in the art would have "had
26 reason to attempt to make the composition or device, or carry out the claimed process, and would
27 have had a reasonable expectation of success in doing so." PharmaStem, 491 F.3d at 1360. ATC
28 has not demonstrated that with the Sprague publication, the outcome of the obviousness inquiry at

1 trial or in its post-trial motion would likely have been different. ATC's motion for relief under
2 Rule 60(b)(2) is DENIED.

3 B. Rule 60(b)(3)

4 To prevail on a motion under Rule 60(b)(3), "the moving party must prove by clear and
5 convincing evidence that the verdict was obtained through fraud, misrepresentation, or other
6 misconduct and the conduct complained of prevented the losing party from fully and fairly
7 presenting the defense." DeSaracho v. Custom Food Machinery, Inc., 206 F.3d 874, 880 (9th Cir.
8 2000). "Misconduct" within the meaning of Rule 60(b)(3) "does not demand proof of nefarious
9 intent or purpose as a prerequisite to redress." Jones v. Aero/Chem Corp., 921 F.2d 875, 879 (9th
10 Cir. 1990). However, if the moving party fails to demonstrate that the opponent knowingly or
11 deliberately withheld evidence in discovery, he must demonstrate the nondisclosure "worked some
12 substantial interference with the full and fair preparation or presentation of the case." Anderson v.
13 Cryovac, Inc., 862 F.2d 910, 926 (1st Cir. 1988).

14 ATC argues the Sprague article fell squarely within ATC's discovery requests for all prior
15 art or potential prior art to the '356 patent, as well as all documents relating to the analysis, design,
16 testing, operation, or use of multilayer capacitors of which anyone involved with the prosecution
17 of the '356 patent was aware. After trial commenced, on December 5, 2009, Alan Devoe, one of
18 the named inventors and co-owner of Presidio, requested that a third party provide him with
19 information relating to capacitors, and also with articles authored by Dr. Dougherty. In response,
20 on the following day, the third party provided Mr. Devoe with the Sprague publication. Presidio
21 does not identify the third party from whom Mr. Devoe obtained the Sprague publication, and does
22 not indicate when or whether Mr. Devoe shared the Sprague publication with Presidio's counsel.

23 Upon review, the Court concludes Presidio's failure to disclose the Sprague publication did
24 not constitute misconduct, and did not deprive ATC of a full and fair opportunity to present its
25 defense. The burden is upon the moving party to show, by clear and convincing evidence, that the
26 opposing party engaged in misconduct. Here, notwithstanding the fact ATC knew of the Sprague
27 article in May of 2010 and inquired of Presidio in June of 2010 regarding the circumstances of its
28 discovery, ATC took no steps to secure additional discovery of information of misconduct before


1 filing its Rule 60 motion. Although ATC believes the Sprague publication conclusively
2 demonstrates the invalidity of the '356 patent, as discussed above, the importance and relevance of
3 the Sprague publication is not obvious. In light of the extensive prior art disclosed in discovery
4 and presented at trial, the Sprague publication is not the type of "smoking gun" evidence which
5 Mr. Devoe or Presidio's counsel would necessarily have concluded they needed to produce in
6 discovery. ATC was not deprived of a full and fair opportunity to present its defense, and its
7 motion for relief under Rule 60(b)(3) is DENIED.

8 **Conclusion**

9 For the reasons set forth herein, ATC's motion for relief from judgment under Fed. R. Civ.
10 P. 60(b)(2) and 60(b)(3) is DENIED.

11 **IT IS SO ORDERED.**

12 **DATED: October 26, 2010**

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14 **IRMA E. GONZALEZ, Chief Judge**
15 **United States District Court**
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United States District Court

SOUTHERN DISTRICT OF CALIFORNIA

FILED

OCT 26 2010

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA
BY SAH DEPUTY

Presidio Components, Inc.

V.

JUDGMENT IN A CIVIL CASE

American Technical Ceramics Corp

CASE NUMBER: 08cv335-IEG(NLS)

☒ **Jury Verdict.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

☐ **Decision by Court.** This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED

that based upon the jury's verdict of December 16, 2009, Court's April 13, 2010 Order regarding post-trial motions, and Court's August 5, 2010 Order setting supplemental damages, judgment is entered in favor of Plaintiff Presidio Components, Inc. and against Defendant American Technical Ceramics on Plaintiff's claim that Defendant's 545L capacitors infringe the asserted claims of the '356 patent. Judgment in favor of Defendant and against Plaintiff on Plaintiff's claim for willful infringement. Judgment is in favor of Plaintiff and against Defendant on Defendant's invalidity defenses of anticipation, obviousness, inventorship, written description requirement, and enablement. Judgment is in favor of Plaintiff and against Defendant for \$1,048,677.00 in lost profits through December 1, 2009. Judgment is favor of Plaintiff and against Defendant for \$235,172.68 in supplemental damages for Defendant's infringement from December 1, 2009 to April 13, 2010. Judgment is favor of Plaintiff and against Defendant for ongoing royalty after April 13, 2010 at a rate of 12% of the wholesale price for each infringing 545L capacitor sold by Defendant. Judgment is in favor of Defendant and against Plaintiff in the amount of \$228,086.25 on Defendant's claim of false markings. Case is closed.....

October 26, 2010

Date

W. Samuel Hamrick, Jr.

Clerk

J. Haslam

(By) Deputy Clerk

ENTERED ON October 26, 2010

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS, INC.,

Plaintiff,

vs.

AMERICAN TECHNICAL CERAMICS
CORP.,

Defendant.

CASE NO. 08cv335-IEG(NLS)

Order Directing Clerk to
Enter Judgment


Based upon the jury's verdict of December 16, 2009, the Court's April 13, 2010 order regarding post-trial motions, and the Court's August 5, 2010 order setting supplemental damages, The Clerk is directed to enter judgment as follows:

1. In favor of Plaintiff Presidio Components, Inc. and against Defendant American Technical Ceramics Corp. ("ATC") on Presidio's claim that ATC's 545L capacitors infringe the asserted claims of the '356 patent;
2. In favor of Defendant American Technical Ceramics Corp. and against Presidio Components, Inc. on Presidio's claim for willful infringement;
3. In favor of Plaintiff Presidio Components, Inc. and against Defendant American Technical Ceramics Corp. on ATC's invalidity defenses of anticipation, obviousness, inventorship, written description requirement, and enablement;

4. In favor of Plaintiff Presidio Components, Inc. and against Defendant American Technical Ceramics Corp. for \$1,048,677 in lost profits through December 1, 2009;
5. In favor of Plaintiff Presidio Components, Inc. and against Defendant American Technical Ceramics Corp. for \$235,172.68 in supplemental damages for ATC's infringement from December 1, 2009 to April 13, 2010;
6. In favor of Plaintiff Presidio Components, Inc. and against Defendant American Technical Ceramics Corp. for ongoing royalty after April 13, 2010 at a rate of 12% of the wholesale price for each infringing 545L capacitor sold by ATC;
7. In favor of American Technical Ceramics Corp. and against Presidio Components, in the amount of \$228,086.25 on ATC's claim of false marking.

IT IS SO ORDERED.

DATED: October 26, 2010


IRMA E. GONZALEZ, Chief Judge
United States District Court

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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**
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11 PRESIDIO COMPONENTS INC.,

12 Plaintiff,

13 vs.

14 AMERICAN TECHNICAL CERAMICS
15 CORP.,

16 Defendant.
17

CASE NO. 08-CV-335 - IEG (NLS)

ORDER DENYING ATC'S MOTION
FOR RECONSIDERATION.

[Doc. No. 366]

18 Currently before the Court in this patent infringement case is ATC's Rule 60 Motion, Based
19 on Intervening Law, to Amend Judgment or for a New Trial Regarding Presidio's False Marking Prior
20 to October 24, 2008. [Doc. No. 366]. Having considered the parties' arguments, and for the reasons
21 set forth below, the Court **DENIES** the motion.

22 **BACKGROUND**

23 The factual and procedural history of this case is set forth in great detail in this Court's prior
24 order and need not be repeated herein. See Presidio Components, Inc. v. Am. Technical Ceramics
25 Corp., — F. Supp. 2d —, 2010 WL 1462757, at **2-4 (S.D. Cal. 2010). As relevant to this Order,
26 Presidio Components, Inc. ("Presidio") sued American Technical Ceramics Corporation ("ATC") for
27 patent infringement, and ATC counterclaimed. The patent at issue is U.S. patent number 6,816,356
28 ("the '356 patent"), which discloses and claims a substantially monolithic, multilayer capacitor with

fringe-effect capacitance between its external contacts. Presidio alleged ATC's manufacture of its 545L series of monolithic, multilayer capacitors infringed the '356 patent. In its counterclaim, ATC alleged that Presidio falsely marked its Buried Broadband Capacitors ("BB capacitors") with the '356 patent in violation of 35 U.S.C. § 292. The BB capacitors are monolithic, multilayered capacitors developed for broadband usage. During the litigation, Presidio conceded the BB capacitors do not embody the claims of the '356 patent. Nonetheless, Presidio asserts the BB capacitors at the very least employ the "substantially monolithic dielectric body" as used in the claims of the '356 patent, and as such served as the background to the inventions ultimately claimed in the '356 patent.

The case was tried to a jury in December 2009. The jury returned a verdict finding all of the asserted claims to be valid and infringed. The jury also found that Presidio's false marking of the BB capacitors prior to October 24, 2008, was not done for the purpose of deceiving the public. After hearing argument on the parties' post-trial motions, the Court upheld the jury's verdict in most respects, including in regards to Presidio's false marking prior to October 24, 2008.

LEGAL STANDARD

A motion for reconsideration can be filed "as may be allowed under Rules 59 and 60 of the Federal Rules of Civil Procedure." Civ. L.R. 7.1(i)(2). "Reconsideration is appropriate if the district court (1) is presented with newly discovered evidence, (2) committed clear error or the initial decision was manifestly unjust, or (3) if there is an intervening change in controlling law." Sch. Dist. No. 1J, Multnomah County, Or. v. ACandS, Inc., 5 F.3d 1255, 1263 (9th Cir. 1993) (citation omitted). "A motion for reconsideration 'may not be used to raise arguments or present evidence for the first time when they could reasonably have been raised earlier in the litigation.'" Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co., 571 F.3d 873, 880 (9th Cir. 2009) (citation omitted).

DISCUSSION

In its motion for reconsideration, ATC argues the Federal Circuit's recent decision in Pequignot v. Solo Cup Co., 608 F.3d 1356 (Fed. Cir. 2010), constitutes an intervening change in controlling law. According to ATC, the Federal Circuit in Solo Cup "established a new, two-pronged framework" for determining whether the accused false marker acted "for the purpose of deceiving the public" in violation of 35 U.S.C. § 292: (1) the court must first determine whether there is *objective*

evidence of the marker's "knowledge of falsity" to give rise to an inference of "intent to deceive," and (2) the court must then inquire whether the marker can rebut that presumption with sufficient *subjective* evidence of no intent to deceive. (See Def. Rule 60 Motion, at 1.) ATC contends that because this Court failed to follow this two-pronged framework, and instead applied a "single totality of the circumstances test," it should reconsider and vacate its earlier ruling on Presidio's false marking intent prior to October 4, 2008. (See *id.* at 2 (emphasis in original).)

Contrary to ATC's arguments, however, the Federal Circuit in Solo Cup expressly *reaffirmed* its prior framework as stated in Clontech Labs., Inc. v. Invitrogen Corp., 406 F.3d 1347 (Fed. Cir. 2005). See Solo Cup, 608 F.3d at 1362-63. Accordingly, the Solo Cup decision does not represent "an intervening change in controlling law," and ATC is not entitled to a reconsideration.

Moreover, even if Solo Cup arguably constitutes "a new, two-pronged framework" for determining whether the accused false marker acted "for the purpose of deceiving the public" in violation of 35 U.S.C. § 292, the Court followed that exact framework when ruling on ATC's post-trial motion challenging the jury's finding that Presidio did not have the "intent to deceive" the public prior to October 24, 2008. Specifically, the Court then stated that:

"Intent to deceive, while subjective in nature, *is established in law by objective criteria*. Thus, '*objective standards*' control and 'the fact of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent.' Thus, under such circumstances, the mere assertion by a party that it did not intend to deceive will not suffice to escape statutory liability. Such an assertion, standing alone, is worthless as proof of no intent to deceive where there is knowledge of falsehood. But in order to establish knowledge of falsity *the plaintiff must show by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that the articles were properly marked* (i.e., covered by a patent). Absent such proof of lack of reasonable belief, no liability under the statute ensues."

(Order on Post-Trial Motions, at 59 (quoting Clontech, 406 F.3d at 1252-53) (emphases added) [Doc. No. 348].) As can be seen, the Court expressly noted that the "intent to deceive" inquiry is established by *objective* criteria, with the burden on ATC to show "by a preponderance of the evidence that [Presidio] did not have a *reasonable belief* that the [BB capacitors] were properly marked." (See *id.* (emphasis added).) Having reviewed the parties' arguments, the Court then concluded that ATC failed to meet its burden because "there was substantial evidence before the jury to find that ATC has failed to demonstrate that prior to October 24, 2008, the Devoes lacked a 'reasonable belief' that the '356 patent covered the BB capacitors." (See *id.* at 60 (citing Clontech, 406 F.3d at 1252-53).)

Furthermore, the Federal Circuit in Solo Cup specifically cautioned that “[t]he bar for proving deceptive intent here is particularly high, given that the false marking statute is a criminal one, despite being punishable only with a civil fine.” 608 F.3d at 1363 (citations omitted). Accordingly, “*a purpose of deceit*, rather than simply knowledge that a statement is false, is required.” Id. (emphasis added). “Thus, mere knowledge that a marking is false is insufficient to prove intent if [the marker] can prove that it did not consciously desire the result that the public be deceived.” Id. In this case, the jury has found,¹ and the Court has agreed, that ATC has failed to demonstrate such intent to deceive on behalf of Presidio. Accordingly, ATC has failed to meet its burden under Solo Cup’s first objective prong.

Finally, to the extent any presumption of intent to deceive the public applies in this case, such presumption is rebuttable in nature. See Solo Cup, 608 F.3d at 1362-63. In the present case, just like in Solo Cup, 608 F.3d at 1363, the Court found that Presidio effectively rebutted the presumption when it “provided credible evidence that its purpose was not to deceive the public” with its marking. For example, Dan Devoe testified that although he did not inquire as to whether the BB capacitors practiced any of the claims of the ‘356 patent, he believed that they *did* practice the ‘356 patent. (Trial Tr. Day 2, at 44:7-44:19.) Likewise, although Lambert Devoe initially testified that Presidio did not “form a belief or understanding whether any particular claim of the ‘356 patent covered the BB capacitor,” he later clarified that Presidio “thought those [marking] decisions were correct,” especially in light of a cross-sectional diagram on the front cover of the ‘356 patent which “looks remarkably similar” to the BB capacitors. (Trial Tr. Day 2, at 131:24-132:3; Trial Tr. Day 3, at 21:18-24:19.) Similarly, Gunter Vorlop testified at his deposition that he believed that Presidio had a patent on its BB capacitors, and that one of those patents was the ‘356 patent. (Vorlop Dep., at 207-08 (Jan. 6, 2009), attached to Def. Motion for JMOL on False Marking, Ex. 5.) In light of this substantial evidence, the Court reaffirms its prior finding that Presidio effectively rebutted any inference of “intent to deceive” the public that might have arisen. See Solo Cup, 608 F.3d at 1364 (“Thus, a good

¹ For the same reasons, the Court concludes that the jury instructions in this case were not erroneous in light of Solo Cup. For example, the Jury Instruction No. 37 specifically told the jurors that “[i]ntent to deceive, while subjective in nature, *is established in law by objective criteria*. Thus, *objective standards control* and the fact of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent. Thus, under such circumstances, the mere assertion by a party that it did not intend to deceive will not suffice to escape liability.” (Jury Instructions, at 63 (emphases added) [Doc. No. 297].)

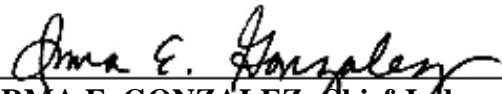
1 faith belief that an action is appropriate, especially when it is taken for a purpose other than deceiving
2 the public, can negate the inference of a purpose of deceiving the public.”).

3 **CONCLUSION**

4 For the foregoing reasons, ATC’s motion for reconsideration in light of the Federal Circuit’s
5 recent decision in Solo Cup, 608 F.3d 1356, is **DENIED**.

6 **IT IS SO ORDERED.**

7 **DATED: August 25, 2010**

8 
9 **IRMA E. GONZALEZ, Chief Judge**
10 **United States District Court**

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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**
10

11 PRESIDIO COMPONENTS INC.,

12 Plaintiff,

13 vs.

14
15 AMERICAN TECHNICAL CERAMICS
16 CORP.,

17 Defendant.
18

CASE NO. 08-CV-335 - IEG (NLS)

ORDER:

(1) SETTING SUPPLEMENTAL
DAMAGES FOR PERIOD
BETWEEN DECEMBER 1, 2009
AND APRIL 13, 2010; and

(2) SETTING ONGOING ROYALTY
RATE FOR PERIOD AFTER APRIL
13, 2010.

19
20 Currently before the Court in this patent infringement case are the parties' supplemental
21 briefings on the issues of supplemental damages and the ongoing royalty rate, filed pursuant to the
22 Court's previous Order on the post-trial motions. Having considered the parties' arguments, and for
23 the reasons set forth below, the Court **SETS** the supplemental damages at **\$235,172.68** for the period
24 between December 1, 2009 and April 13, 2010, and **SETS** the ongoing royalty at the rate of **12 % of**
25 **the wholesale price** for each infringing 545L capacitor for the period after April 13, 2010.

26 **BACKGROUND**

27 The factual and procedural history of this case is set forth in great detail in this Court's prior
28 order and need not be repeated herein. See Presidio Components, Inc. v. Am. Technical Ceramics
Corp., — F. Supp. 2d —, 2010 WL 1462757, at **2-4 (S.D. Cal. 2010). As relevant to this Order,

1 Presidio Components, Inc. (“Presidio”) sued American Technical Ceramics Corporation (“ATC”) for
2 patent infringement, and ATC counterclaimed. The patent at issue is U.S. patent number 6,816,356
3 (“the ‘356 patent”), which discloses and claims a substantially monolithic, multilayer capacitor with
4 fringe-effect capacitance between its external contacts. Presidio alleged ATC’s manufacture of its
5 545L series of monolithic, multilayer capacitors infringed the ‘356 patent.

6 The case was tried to a jury in December 2009. The jury returned a verdict finding all of the
7 asserted claims to be valid and infringed. The jury awarded Presidio \$1,048,677 in lost profits. After
8 hearing argument on the parties’ post-trial motions, the Court upheld the jury’s verdict in most
9 respects and its award of damages in full. The Court also agreed with Presidio that it was entitled to
10 supplemental damages for the period after December 1, 2009, when the jury trial started, and through
11 the consideration of the post-trial motions. Accordingly, the Court ordered ATC to provide an
12 accounting for any sales of 545L capacitors occurring during that time. On the other hand, the Court
13 denied Presidio’s motion for a permanent injunction, finding that Presidio has failed to demonstrate
14 an irreparable injury in the absence of an injunction or that money damages are inadequate to
15 compensate it, and because the public interest tipped in ATC’s favor. The Court then ordered the
16 parties to submit supplemental briefing on whether the Court should allow them to negotiate their own
17 license agreement, or whether the Court should impose a specific amount of “ongoing royalty.”

18 DISCUSSION

19 I. Supplemental damages

20 At the post-trial motions stage, Presidio moved for supplemental damages in light of ATC’s
21 continued infringement. ATC did not oppose the motion at that time. (See Def. Opp. to Pl. Motion for
22 Post Trial Remedies, at 15 [Doc. No. 321].) The Court accordingly granted Presidio’s motion, finding
23 that supplemental damages ought to be calculated consistent with the damages awarded in the jury
24 verdict. ATC now objects to this determination, arguing instead that supplemental damages for the
25 time period not considered by the jury be calculated on an ongoing royalty basis.

26 Under Section 284, a finding of infringement requires the Court to award damages that are
27 “adequate to compensate” the plaintiff. See 35 U.S.C. § 284. As the Court previously noted,
28 “supplemental damages are calculated consistent with the damages awarded in the jury verdict.” See

Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc., No. CV-03-0597-PHX-MHM, 2009 WL 920300, at *3 (D. Ariz. Mar. 31, 2009); accord Aero Prods. Int', Inc. v. Intex Recreation Corp., No. 02 C 2590, 2005 WL 1498667, at *2 (N.D. Ill. June 9, 2005) (setting supplemental damages for the period between the jury verdict and the imposition of permanent injunction at 13.5% based upon extrapolation from the jury's general verdict); Stryker Corp. v. Davol, Inc., 75 F. Supp. 2d 746, 746-47 (W.D. Mich. 1999) (setting supplemental damages for the period between the jury verdict and the imposition of a permanent injunction at 20%, which was the reasonable royalty found by the jury for the period of infringement); Oscar Mayer Foods Corp. v. Conagra, Inc., 869 F. Supp. 656, 668 (W.D. Wis. 1994) (setting additional damages for post-judgment infringing sales at the ratio of damages to sales determined from the jury's verdict). In the present case, the jury awarded Presidio \$1,048,677 in lost profits based on the 782,000 545L capacitors sold by ATC between mid-2006 and September 30, 2009. (Trial Tr. Day 4, at 177:6-178:24.) Accordingly, based on the ratio of damages to sales, the Court can extrapolate that the jury awarded Presidio approximately \$1.34 per 545L capacitor sold.

Finally, to determine the full amount of Presidio's supplemental damages, the Court will multiply the average lost profit per 545L capacitor by the total number of 545L capacitors sold by ATC between the commencement of the trial (December 1, 2009) and the Court's ruling on Presidio's motion for a permanent injunction (April 13, 2010).¹ Based on the additional sales information submitted by ATC, that number comes out to approximately **175,502** 545L capacitors.² Thus, Presidio is entitled to **\$235,172.68** in supplemental damages for ATC's continued infringement.

¹ In this context, the Court declines to award Presidio supplemental damages for the period between September 30, 2009 and December 1, 2009, which arguably was not included in the sales data produced on the eve of trial. The jury is presumed to have compensated Presidio for all of its lost profits leading up to the trial. During trial, Presidio could have—but did not—argue to the jury that its suggested amount of \$1,048,000 should be proportionally increased for the two months not accounted in the sales data. See Oscar Mayer Foods, 869 F. Supp. at 668 (noting there was no justification for awarding additional damages to plaintiff for that period of time prior to trial for which plaintiff could have offered—but did not—evidence of lost profits). Under these circumstances, awarding additional amounts of damages incurred before trial would be “an improper invasion of the jury's province to determine actual damages and an inappropriate use of 35 U.S.C. § 284 to enhance inadequate compensatory damages.” See id. (citing Beatrice Foods v. New England Printing, 923 F.2d 1576, 1579 (Fed. Cir. 1991), and Dimick v. Scheidt, 293 U.S. 474, 486-87 (1953)).

² The additional sales data submitted by ATC covers the period between December 1, 2009 and May 6, 2010, and indicates that ATC sold 206,502 545L capacitors. (See Notice of Filing of ATC's Add. Sales Info., Ex. A [Doc. No. 359].) To determine the total sales for the period between December 1, 2009 and April 13, 2010, the Court subtracted from that amount all of the sales for May 2010 (2,000 capacitors) and half of the sales for April 2010 (29,000 capacitors).

II. Ongoing royalty

In eBay v. MercExchange, LLC, the Supreme Court reiterated that “in patent disputes no less than in other cases” to be entitled to a permanent injunction, the plaintiff must satisfy the traditional four-factor test. 547 U.S. 388, 391 (2006). Where an injunction is not proper, however, the district court must next consider imposing a reasonable ongoing royalty in lieu of an injunction. Paice LLC v. Toyota Motor Corp. (Paice II), 504 F.3d 1293, 1314 (Fed. Cir. 2007). Such a remedy, however, is not always warranted. Id. (“But, awarding an ongoing royalty where ‘necessary’ to effectuate a remedy . . . does not justify the provision of such relief as a matter of course whenever a permanent injunction is not imposed.”). Moreover, “the district court may wish to allow the parties to negotiate a license amongst themselves regarding future use of a patented invention before imposing an ongoing royalty. Should the parties fail to come to an agreement, the district court could step in to assess a reasonable royalty in light of the ongoing infringement.” Id.

In this case, the Court’s prior Order asked the parties to discuss whether the Court should allow them to negotiate their own license agreement, or whether the Court should impose a specific amount of “ongoing royalty.” Not surprisingly, however, the parties could not agree on the course of action. On the one hand, ATC submits the Court should order the parties to have “reasonable” negotiations as between a reasonable licensor and licensee. On the other hand, Presidio indicates it is not likely that the parties would be able to reach an agreement on the terms of such a license agreement and accordingly urges the Court to impose a specific amount of ongoing royalty. In light of the parties’ strongly held positions in this case, and in light of their extremely divergent views as to the appropriate royalty rate,³ the Court is convinced that requiring them to negotiate is not likely to be fruitful. Accordingly, with the benefit of the parties’ supplemental briefing, the Court will proceed to determine a specific amount of ongoing royalty that should be imposed in this case.

The Federal Circuit has approved the use of the Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116, 1120 (S.D. N.Y. 1970), analysis for determining reasonable royalty damages. See Micro Chem., Inc. v. Lextron, Inc., 317 F.3d 1387, 1393 (Fed. Cir. 2003). The Georgia-Pacific court set forth fifteen factors to be considered in a reasonable royalty analysis. 318 F. Supp. at 1120. The

³ While ATC proposes a royalty rate of 2 to 4 %, which would amount to \$0.04 to \$0.08 per 545L capacitor sold, Presidio proposes an ongoing royalty of \$1.34 per capacitor.

central premise is the hypothetical negotiation between a willing patentee and a willing infringer at the time the infringement began. Interactive Pictures Corp. v. Infinite Pictures, Inc., 274 F.3d 1371, 1384-85 (Fed. Cir. 2001). This framework changes, however, when the court has to determine the appropriate ongoing royalty *once liability has been established*. In such a case, “the hypothetical negotiation occurs post-judgment; therefore, the ‘willing licensee’ in this negotiation is an adjudged infringer, unlike the situation described in Georgia-Pacific.” Paice LLC v. Toyota Motor Corp. (Paice III), 609 F. Supp. 2d 620, 624 (E.D. Tex. 2009). Thus, the main question post-judgment is what amount of money would reasonably compensate a patentee for giving up his right to exclude and at the same time allow an ongoing willful infringer to make a reasonable profit? See id.; Georgia-Pacific, 318 F. Supp. at 1120 (factor 15). It is to this question that the Court now turns.

A. Presidio’s proposed \$1.34 is not a “royalty” and it is not “reasonable”

As an initial matter, the Court rejects Presidio’s suggestion of \$1.34 per 545L capacitor sold as an appropriate ongoing royalty. “A reasonable royalty is the amount that a person, desiring to manufacture, use, or sell a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to make, use, or sell the patented article, in the market, at a reasonable profit.” Applied Med. Res. Corp. v. U.S. Surgical Corp., 435 F.3d 1356, 1361 (Fed. Cir. 2006) (citation and internal quotation marks omitted). It is particularly useful where damages are prospective and cannot be proven with certainty. See Hanson v. Alpine Valley Ski Area, Inc., 718 F.2d 1075, 1078 (Fed. Cir. 1983). What Presidio proposes in its supplemental briefing, however, is an average *lost profit* per unit based on past damages from ATC’s infringement, and not a royalty rate. Moreover, as ATC correctly argues, this rate is not “reasonable” because it would amount to 140% of ATC’s operating profit and would in effect enjoin ATC from selling the 545L capacitors.⁴ See Applied Med. Res. Corp., 435 F.3d at 1361 (a reasonable royalty must allow the infringer to sell the article at a reasonable profit); Paice III, 609 F. Supp. 2d at 624 (an ongoing royalty must reasonably compensate the patentee and at the same time allow the willful infringer to make a reasonable profit). Accordingly, the Court rejects

⁴ Mr. Newman, Presidio’s own damages expert, admitted at trial that a royalty rate amounting to 50 to 75 % of the profits would be “just unreasonable.” (Trial Tr. Day 4, at 192:15-192:18.) According to Mr. Newman, “[t]here’s a lot of risk that is undertaken by the licensee in maybe expanding, buying more tooling. So it wouldn’t be appropriate . . . to take a lion’s share of profits away from ATC in the form of a license.” (Id. at 192:18-192:22.) Mr. Newman then suggested that a royalty rate of \$0.25 per unit would be reasonable under the circumstances. (Id. at 192:22-193:3.)

1 Presidio's proposed "royalty" rate of \$1.34 per capacitor.

2 B. Change in the parties' bargaining positions

3 The parties argue at length as to whether their respective bargaining positions were
 4 strengthened or weakened by the jury's verdict as well as the Court's denial of Presidio's motion for
 5 a permanent injunction. It cannot be denied that "[t]here is a fundamental difference . . . between a
 6 reasonable royalty for pre-verdict infringement and damages for post-verdict infringement." Amado
 7 v. Microsoft Corp. (Amado II), 517 F.3d 1353, 1361-62 (Fed. Cir. 2008); see also Paice II, 504 F.3d
 8 at 1317 (Rader, J., concurring) ("But pre-suit and post-judgment acts of infringement are distinct, and
 9 may warrant different royalty rates given the change in the parties' legal relationship and other
 10 factors."). This "difference," however, is largely due to the threat of an injunction, which "serves as
 11 a big stick, essentially framing negotiation in terms of how much an adjudged infringer would pay for
 12 a license to continue its infringing conduct." See Paice III, 609 F. Supp. 2d at 624. Where, as here, an
 13 injunction is no longer proper, the Court is hard pressed to find in what material respect the situation
 14 is different now than it was during trial.⁵ In determining the reasonable royalty rate during trial, both
 15 parties assumed the '356 patent *was valid and infringed*. The jury's verdict has now confirmed this
 16 assumption. See Cummins-Allison Corp. v. SBM Co., 584 F. Supp. 2d 916, 918 (E.D. Tex. 2008)
 17 ("[A] jury finding of infringement and no invalidity does not change any logically consistent analysis;
 18 rather, it merely confirms the original assumption of those facts. It is inconsistent and unnecessarily
 19 confusing to adopt the position that once the assumed facts upon which the expert's analysis of the
 20 hypothetical negotiation are confirmed by a verdict, the expert can change his opinion of a reasonable
 21 royalty rate."); Ariba, Inc. v. Emptoris, Inc., 567 F. Supp. 2d 914, 918 (E.D. Tex. 2008) ("[I]t is
 22 logically inconsistent to argue that a calculation based upon assumptions of infringement and validity
 23 would change when those assumptions are replaced by jury findings of the same facts."). Accordingly,
 24 with permanent injunction off the table, the bargaining positions of a willing patentee and infringer
 25 are substantially the same as they would have been at the time the infringement began.

26
 27 ⁵ The Federal Circuit itself acknowledged the difference a grant or denial of a permanent
 28 injunction makes in determining an ongoing royalty. See, e.g., Amado, 517 F.3d at 1362 ("This is not
 a case like Paice, however, where the court's task was to assess an appropriate level of damages for
 ongoing infringement under circumstances in which an injunction was not warranted. Here, Microsoft
 was enjoined from further infringing activity yet was permitted to continue only by virtue, and with the
 imprimatur, of the court-ordered stay.").

The cases relied upon by Presidio do not warrant a different conclusion. For example, in Boston Scientific Corp. v. Johnson & Johnson, the district court concluded that the jury's finding of liability in that case would have strengthened the patentee's bargaining position *because of* "the parties' knowledge that [the patentee] could have forced [the infringer's] infringing product off the market for a limited period of time." No. C 02-00790 SI, 2009 WL 975424, at *5 (N.D. Cal. Apr. 9, 2009).⁶ Similarly, in Amado v. Microsoft Corp. (Amado III), the district court's analysis was in the context of an injunction that was first *granted* and then *stayed* pending appeal. No. SA CV 03-242 DOC (ANx), 2008 U.S. Dist. LEXIS 110152, at **15-16 (C.D. Cal. Dec. 4, 2008). Indeed, the district court there explained that "[the] factors in support of a stay greatly lessened any bargaining advantage that [the patentee] derived from a finding of infringement and injunction." *Id.* at *28. In the present case, as already noted, the Court has previously determined that an injunction was not proper. Accordingly, it does not appear to the Court that there is anything, except for the jury's finding of validity and infringement—which both parties' experts have *assumed as given* when proposing their reasonable royalty rates during trial—that would substantially alter the parties' respective bargaining positions in the post-judgment context.

C. Application of the relevant *Georgia-Pacific* factors

At the outset, the Court agrees with ATC that the appropriate date for the hypothetical negotiation is April 13, 2010, when the Court upheld the jury's finding of validity and infringement, and when the Court denied Presidio's motion for a permanent injunction. The Court next turns to the examination of the relevant Georgia-Pacific factors as a guide in determining whether it should accept the 2 to 4 % royalty rate suggested by ATC, or the 12 % royalty suggested by Presidio.⁷

⁶ Presidio's argument that the patentee's strengthened bargaining position in Boston Scientific existed "despite the fact that the infringer was not going to have to take its product off the market," (Pl. Supp. Brief on Ongoing Royalty, at 5 [Doc. No. 349]), is groundless. Rather, the district court there expressly noted that the patentee's expert "assumed that [the infringer] would have taken its infringing product off the market after the jury verdict." Boston Scientific, 2009 WL 975424, at *2. The district court embraced this position, and specifically rejected the contrary argument made by the infringer's expert in that case, which assumed the infringer "would have continued to sell its infringing product." *See id.* at **2-3.

⁷ It is unclear whether the Georgia-Pacific factors should control in a post-judgment context. Compare Amado III, 2008 U.S. Dist. LEXIS 110152, at *32 (concluding that the Georgia-Pacific factors were inapplicable in a post-judgment context), with Cummins-Allison, 584 F. Supp. 2d at 918-19 (reasoning that the Georgia-Pacific factors are still relevant in a post-judgment context), Ariba, 567

- i. *Factor 1 (royalties received by Presidio for the licensing of the ‘356 patent) and Factor 2 (rates paid by ATC for the use of comparable patents)*

The first two Georgia-Pacific factors focus on the comparable royalty rates received by Presidio and paid by ATC. As to Factor 1, this factor is not applicable in this case because Presidio does not license the ‘356 patent to anyone else. As to Factor 2, there is no information before the Court that would indicate ATC currently pays for the use of any other patents comparable to the ‘356 patent. Accordingly, these factors do not favor either party.

- ii. *Factor 3 (the nature and scope of the license) and Factor 4 (the licensor’s established policy as to licensing)*

The next two factors look at the scope of the license to be granted and the licensor’s established policy on licensing. In the present case, Presidio has an established policy of not granting licenses for the ‘356 patent. This by itself strengthens Presidio’s bargaining position because granting a license would require Presidio to abandon its arguably valuable business consideration. Moreover, by granting a license to ATC now, Presidio will also be giving up the right to offer an exclusive license to a third party in the future.⁸ Accordingly, both of these factors weigh in Presidio’s favor.

- iii. *Factor 5 (the commercial relationship between the licensor and licensee)*

The Court has previously determined that Presidio has failed to show that it and ATC are direct competitors. (See Order on Post-Trial Motions, at 64 [Doc. No. 348].) Accordingly, the Court is not persuaded that this factor weighs in either party’s favor.

- iv. *Factor 6 (effect in promoting sales of other products of the licensee)*

Presidio argues ATC has admitted that the sale of the 545L capacitors drives the sale of its other products and is necessary for ATC to maintain continuity with its customers. Presidio, however,

F. Supp. 2d at 918 (same), and Orion IP, LLC v. Mercedes-Benz USA, LLC, No. 6:05 CV322, 2008 U.S. Dist. LEXIS 108683, at *14 (E.D. Tex. Mar. 28, 2008) (same). Neither of the parties in this case expressly relies on these factors, although the arguments raised by Presidio (and opposed by ATC) appear to closely track some of them. Accordingly, while not controlling, the Court believes an examination of the relevant Georgia-Pacific factors could be helpful in determining the appropriate royalty rate post-judgment. See Creative Internet Adver. Corp. v. Yahoo! Inc., 674 F. Supp. 2d 847, 860 (E.D. Tex. 2009) (applying a modified Goergia-Pacific analysis “in light of the changed relationship between the parties”); Boston Scientific, 2009 WL 975424, at *5 (agreeing with the district court in Amado III that the royalty analysis should be different in a post-judgment context, but still proceeding to examine several of the Georgia-Pacific factors).

⁸ The parties appear to agree that the license granted in this case will not be exclusive. This by itself, however, does not appear to weigh in either party’s favor.

misapprehends ATC's arguments. In opposing Presidio's motion for a permanent injunction, ATC only indicated that in light of the 545L's "irreplaceable" qualities, an abrupt termination in its sales would severely prejudice ATC. (See Def. Opp. to Pl. Motion for Perm. Inj., at 13 [Doc. No. 323].) Accordingly, ATC requested that if the Court was inclined to impose an injunction, that it provide a grace period of approximately one year to gradually phase out the 545L capacitors. (Id.) The Court finds no indication here that the sale of ATC's other products is dependent on the sale of the 545L capacitors. This factor, therefore, does not weigh in either party's favor.

v. *Factor 7 (duration of the patent and the term of the license)*

Presidio argues that ATC's three-and-a-half years of infringement reduced the period during which Presidio can exploit the '356 patent. There is, however, no merit to this argument. Presidio has produced no evidence demonstrating that ATC's infringement had any effect on Presidio's decision not to practice the '356 patent. Accordingly, this factor also does not weigh in either party's favor.

vi. *Factor 8 (the established profitability of the product) and Factor 11 (the extent to which the infringer has made use of the invention)*

Presidio argues ATC's bargaining position is weakened by the fact that it continues to sell the infringing product at an approximate profit of \$1.36 per 545L capacitor. This argument, however, is undercut by Mr. Newman, Presidio's own damages expert, who testified at trial that ATC's operating profit was instead \$0.95 per capacitor. Mr. Newman also testified that, in his view, a \$0.25 royalty rate per capacitor would be very reasonable for both parties. (Trial Tr. Day 4, at 192:22-193:3.) Similarly, although Presidio is correct in that the demand for the 545L capacitors has been increasing, testimony at trial also showed that the average selling price for those capacitors has been declining during the relevant time. (See, e.g., Def. Opp. to Pl. Supp. Brief on Ongoing Royalty, Ex. 5 [Doc. No. 354-5].) Finally, the Court also rejects Presidio's argument that its bargaining position is strengthened because ATC's sales are not a source of revenue for Presidio. In Amado III, the district court concluded that the patentee's bargaining position was weakened because it did not have a product to sell, such that it needed the infringing product to serve as a profit center. 2008 U.S. Dist. LEXIS 110152, at *23 ("Finally, it was to Amado's advantage to prolong Microsoft's use of the infringing functionality. As noted, Amado had not commercialized the patent, nor were there any other licensees of the patent. Thus, Amado's sole source of profits from the patent was from Microsoft's of the infringing

1 functionality. This further weakened Amado's advantage derived from the finding of liability."). In
2 this case, because Presidio does not practice the '356 patent and does not have any other licensees,
3 it is similarly depended on the infringing 545L capacitors as the sole source of profit.⁹ Balancing all
4 of these factors together, they do not weigh in favor of either party.

5 D. Conclusion

6 Accordingly, based on the above considerations, the Court believes an ongoing royalty of 12%
7 proposed by Presidio at trial is adequate to both compensate Presidio for the continuing infringement
8 and at the same time allow ATC to sell the 545L capacitors at a reasonable profit. See Applied Med.
9 Res. Corp., 435 F.3d at 1361; Paice III, 609 F. Supp. 2d at 624. This rate takes into account the
10 changed factual and legal circumstances after trial, and is "adequate to compensate for the
11 infringement" as required by 35 U.S.C. § 284. The Court also notes that had it been faced with this
12 issue at the start of the trial, it very well might have been inclined to adopt a figure somewhere in-
13 between the 2 to 4 % rate suggested by ATC and the 12 % rate suggested by Presidio. However, in
14 light of the jury's verdict of validity and infringement, and because granting a license would require
15 Presidio to give up its valuable business consideration of refusing to license the '356 patent as well
16 as the right to offer an exclusive license to a third party in the future, the Court believes the rate
17 proposed by Presidio is more reasonable. Any rate below 12 % will give ATC, who is now a willful
18 infringer, a windfall at Presidio's expense. On the other hand, the Court is not convinced that the
19 parties' positions have changed to such an extent as to warrant a departure from what Presidio's own
20 damages expert considered to be a reasonable rate pre-trial. For all of the foregoing reasons, the Court
21 sets the ongoing royalty rate at **12 % of the wholesale price** for each infringing 545L capacitor.

22 **CONCLUSION**

23 For the foregoing reasons, the Court finds that **\$235,172.68** in supplemental damages is
24 adequate to compensate Presidio for ATC's continued infringement between December 1, 2009 (when
25 the trial began) and April 13, 2010 (when the Court denied Presidio's motion for a permanent
26 injunction). The Court also finds that an ongoing royalty at the rate of **12 % of the wholesale price**
27 for each infringing 545L capacitor is reasonable and adequate to compensate Presidio for ATC's

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⁹ Indeed, this is confirmed by the fact that Presidio at trial approximated its lost profits due to
infringement using the sale of ATC's 545L capacitors.

1 continued infringement after April 13, 2010. Finally, having considered Presidio's proposed terms to
2 ensure compliance with the ongoing royalty, and ATC's response thereto, the Court **ORDERS** the
3 parties to comply with the following terms:


4 (1) ATC shall provide to Presidio a quarterly certified accounting of all sales of the 545L
5 capacitors that identifies the quantity sold, the date of each sale and the sale price, and the total sales;

6 (2) ATC shall allow Presidio to conduct a single annual inspection of ATC's records and
7 documents to ensure compliance with this Order. Such inspection shall be conducted by a neutral CPA
8 and shall be subject to the Protective Order. The inspection will be at Presidio's cost unless the results
9 of the audit show a 5% underpayment, in which case the cost would be paid by ATC; and

10 (3) ATC shall notify Presidio of any design changes that may be applied to the 545L
11 capacitors should ATC take the position that such design changes take the modified product outside
12 the scope of the ongoing royalty. This notification provision shall apply whether the modified product
13 is designated as a 545L capacitor or otherwise.

14 **IT IS SO ORDERED.**

15
16 **DATED: August 5, 2010**

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18 **IRMA E. GONZALEZ, Chief Judge**
19 **United States District Court**
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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS INC.,

Plaintiff,

vs.

AMERICAN TECHNICAL CERAMICS
CORP.,

Defendant.

CASE NO. 08-CV-335 - IEG (NLS)

ORDER:

(1) DENYING PRESIDIO'S MOTION
FOR PERMANENT INJUNCTION
[Doc. No. 306];

(2) GRANTING IN PART AND
DENYING IN PART PRESIDIO'S
MOTION FOR POST TRIAL
REMEDIES [Doc. No. 307];

(3) DENYING ATC'S MOTION FOR
JMOL OR FOR A NEW TRIAL
WITH RESPECT TO PRESIDIO'S
FALSE MARKING BEFORE
OCTOBER 24, 2008 [Doc. No. 308];

(4) GRANTING IN PART AND
DENYING IN PART ATC'S
MOTION FOR JMOL AND FOR A
NEW TRIAL [Doc. No. 309];

(5) GRANTING IN PART AND
DENYING IN PART ATC'S
MOTION FOR ENTRY OF ATC'S
PROPOSED FINDINGS OF FACT
AND CONCLUSIONS OF LAW
WITH RESPECT TO PRESIDIO'S
FINES FOR FALSE MARKING [Doc.
No. 310];

(6) DENYING ATC'S MOTION FOR
ENTRY OF ATC'S PROPOSED
FINDINGS OF FACT AND
CONCLUSIONS OF LAW
REGARDING INDEFINITENESS
[Doc. No. 311]; and

(7) DENYING ATC'S MOTION FOR
ENTRY OF ATC'S PROPOSED
FINDINGS OF FACT AND
CONCLUSIONS OF LAW
REGARDING
UNENFORCEABILITY OF THE '356
PATENT FOR INEQUITABLE
CONDUCT [Doc. No. 312].

1 Currently before the Court are the parties' post-trial motions. Having considered the parties'
2 arguments, and for the reasons set forth below, the Court issues the following order.

3 BACKGROUND

4 I. The Technology

5 In this patent infringement case, Presidio Components Inc. ("Presidio") alleges American
6 Technical Ceramics Corp. ("ATC") infringed U.S. patent number 6,816,356 ("the '356 patent"), titled
7 "Integrated Broadband Ceramic Capacitor Array." A capacitor is a device conventionally comprising
8 two metal plates separated by a non-conductor of electric current. This non-conductive material is
9 known as the "dielectric," which is usually composed of air or ceramic.

10 Capacitors are passive electronic components used in cellular phones, video cassette recorders,
11 televisions, general purpose computers, and audio amplifiers. These devices use capacitors in one of
12 two ways: (1) to filter out undesirable ripples or spikes in a power supply, or (2) to store energy and
13 provide charge to transistors on a printed circuit board.¹

14 A capacitor is charged by coupling its plates to an electrical source. Since electricity passes
15 easily through the conductors, but not the dielectric, a positive electrical charge accumulates on one
16 plate and a negative charge accumulates on the other plate. When charged, the capacitor stores energy
17 that can be released by connecting the plates via an external path, permitting current to flow from one
18 plate to the other. The electrons flow off the negatively charged plate and onto the positively charged
19 plate, bringing the two plates to equal relative voltage. The amount of energy a capacitor stores is its
20 "capacitance," which depends on the orientation and spacing of the conductive plates, and the
21 properties of the dielectric material.

22 Frequently, multiple capacitors are connected to form a capacitive network. One way to create
23 a capacitive network is to build a "multilayer capacitor," which is formed by layering multiple
24 conductive and non-conductive materials. Each individual layer has a separate capacitance that effects
25 the overall capacitance of the multilayer capacitor.

26 ///

27 _____
28 ¹ A "transistor" is essentially a switch that turns on and off to regulate the flow of current or
voltage in electrical circuits.

II. The '356 Patent

The '356 patent discloses and claims a multilayer capacitor consisting of a network of capacitors. The '356 patent has a total of thirty-four claims, but only claims 1-5, 16, and 18-19 are the asserted claims in this case. Out of those, only asserted claim 1 is an independent claim.² The rest of the asserted claims are dependent claims.³ Asserted claim 1 of the '356 patent claims:

A capacitor comprising:

a substantially monolithic dielectric body;

a conductive first plate disposed within the dielectric body;

a conductive second plate disposed within the dielectric body and forming a capacitor with the first plate;

a conductive first contact disposed externally on the dielectric and electrically connected to the first plate; and

a conductive second contact disposed externally on the dielectric body and electrically connected to the second plate, and the second contact being located sufficiently close to the first contact to form a first fringe-effect capacitance with the first contact.

('356 patent, col. 12:58-13:5.) Asserted claims 2 and 4 also add one or two "insulating layer[s]" disposed between the external contacts and "inhibiting electrical conduction" between those contacts. (Id. col. 13:6-13:9, 13:17-13:25.)

III. Factual Background

The application process for the '356 patent spanned over two years. On May 17, 2002, Presidio submitted a parent application to patent the technology underlying the '356 patent with the United States Patent and Trademark Office ("USPTO" or "PTO"). This parent application resulted in U.S. patent number 6,587,327 ("the '327 patent"). On April 14, 2003, Presidio submitted the base application for the '356 patent, which was a continuation in part of the parent application. The USPTO issued the '356 patent on November 9, 2004.

² An "independent" claim stands and falls on its own. A "dependent" claim, on the other hand, includes all of the requirements of a particular independent claim *plus* additional requirements of its own. As a result, if a particular independent claim is found not to be infringed, the dependent claims corresponding to it cannot be infringed. On the other hand, if an independent claim has been infringed, a separate determination is still necessary to determine whether the additional requirements of its dependent claims have also been infringed.

³ While all of the asserted dependent claims depend on claim 1, the asserted claims 4 and 5 also depend on claim 3.

1 During the pendency of Presidio's patent application, ATC initiated development of the 545L
2 series of monolithic, multilayered capacitors. In September 2002, ATC engineers first expressed
3 interest in developing a monolithic capacitor. During development, in April 2003, ATC allegedly
4 dissected and analyzed Presidio's Buried Broadband Capacitors ("BB capacitors"). The BB capacitors
5 were monolithic, multilayered capacitors developed for broadband usage. During the litigation,
6 Presidio conceded the BB capacitors do not embody the claims of the '356 patent. Nonetheless,
7 Presidio asserts the BB capacitors at the very least employ the "substantially monolithic dielectric
8 body" as used in the claims of the '356 patent, and as such served as the background to the inventions
9 ultimately claimed in the '356 patent.

10 In September 2003, ATC substantially completed the 545L capacitor's design and filed a
11 provisional patent application. In March 2004, ATC reviewed Presidio's published patent application.
12 The parties dispute the importance of ATC's review. Presidio asserts ATC engineers believed the
13 patent application covered their capacitor. ATC asserts the engineers believed the '356 patent was
14 both invalid and inapplicable to the 545L capacitor.

15 In September 2004, ATC filed a non-provisional patent application for the 545L capacitor. In
16 February 2006, the USPTO rejected the application, citing the '356 patent as prior art.
17 Notwithstanding this rejection, ATC began selling the 545L capacitor in June 2006. In August 2006,
18 ATC requested the USPTO reconsider the application, arguing the '356 patent does not have
19 orientation insensitivity, which is a feature of the 545L capacitor. That same month, the USPTO
20 reconsidered and held the '356 patent did not bar ATC's application. On July 2007, the USPTO issued
21 U.S. Patent No. 7,248,458 ("the '458 patent") for the 545L capacitor.

22 Beginning in May 2007, Presidio began marking its BB capacitors with the '356 patent
23 number. On October 24, 2008, Presidio admitted the BB capacitors were not covered by the '356
24 patent, but claims it marked the capacitors with a mistaken belief they embodied the patent. Prior to
25 the marking, Presidio did not perform a legal analysis. Presidio continued to mark the BB capacitors
26
27
28

1 with the '356 patent until some time in April 2009.⁴

2 On May 17, 2007, Presidio filed an action in this Court against ATC, alleging infringement
3 of the '356 patent (the "2007 action"). On June 9, 2008, the Court granted a joint motion to dismiss
4 the 2007 action without prejudice for lack of standing.

5 **IV. Procedural Background**

6 Presidio filed the complaint in this case on February 21, 2008, alleging ATC is infringing
7 claims 1-5, 16, and 18-19 ("asserted claims") of the '356 patent by producing the 545L capacitor.
8 [Doc. No. 1]. ATC answered on May 28, 2008, bringing numerous counterclaims against Presidio.
9 [Doc. No. 10]. On June 20, 2008, Presidio filed an answer to ATC's counterclaims. [Doc. No. 21].

10 On June 11, 2008, the Court issued a Claim Construction Order, construing many of the
11 disputed terms of the '356 patent. [Doc. No. 24]. Among others, the Court construed the term "a
12 substantially monolithic dielectric body" as "a dielectric body largely but not wholly without seams
13 from the inclusion of plates within the dielectric body." The Court construed the term "the second
14 contact being located sufficiently close to the first contact to form a first fringe-effect capacitance with
15 the first contact" as "an end of the first conductive contact and an end of the second conductive contact
16 are positioned in an edge-to-edge relationship in such proximity as to form a determinable
17 capacitance." On July 30, 2009, the Court granted ATC's Motion to Resolve a Fundamental Dispute
18 over Claim Scope, finding "determinable capacitance" to mean "a capacity that is capable of being
19 determined in terms of a standard unit." (Order Resolving Fund. Dispute, at 5.) In doing so, the Court
20 rejected Presidio's interpretation that attempted to use the term "insertion loss" as a proxy for a
21 previously rejected term "high frequency performance." (*Id.* at 4.)

22 On August 25, 2008, the Court issued an order denying ATC's summary judgment motion for
23 a declaration of indefiniteness. [Doc. No. 32]. The parties then filed cross-motions for summary
24 judgment. On April 30, 2009, the Court issued an order on the cross-motions for summary judgment,
25 granting some and denying others. As relevant here, the Court granted summary judgment in favor

26
27 ⁴ Presidio asserts the end date of false marking should be April 23, 2009, which was the date
28 of the hearing on the parties' cross-motions for summary judgment at which Presidio's counsel
represented that Presidio had, prior to that hearing, discontinued any marking utilizing the '356 patent.
(*See* Pl. Opp. to Def. Findings & Conclusions on False Marking, at 1 & n.2; *accord* Trial Tr. Apr. 23,
2009, at 29-31.) ATC does not appear to dispute this end date.

1 of ATC on its counterclaim 5 with regard to false marking that occurred after October 24, 2008, and
2 denied summary judgment for false marking that occurred before October 24, 2008. (MSJ Order, at
3 9-11.) In determining Presidio's potential liability for false marking, the Court adopted the
4 "continuous act" test set forth in London v. Everet H. Dunbar Corp., 179 F. 506 (1st Cir. 1910),
5 concluding that "each time Presidio marked a shipment, it committed a false marking offense." (MSJ
6 Order, at 12-13.)

7 On July 23, 2009, ATC submitted to the USPTO a replacement request for reexamination of
8 the '356 patent. On October 20, 2009, the USPTO granted the request for reexamination, noting there
9 were substantial new questions of patentability with respect to all of the asserted claims in light of nine
10 prior art references identified by ATC. The reexamination proceedings are still ongoing.

11 The case was tried to a jury in December 2009. The jury returned a verdict finding all of the
12 asserted claims to be valid and infringed. The jury awarded Presidio \$1,048,677 in lost profits. The
13 jury also found that Presidio has proven by clear and convincing evidence that ATC's infringement
14 was willful. Finally, the jury found that Presidio's false marking of the BB capacitors prior to October
15 24, 2008 was not done for the purpose of deceiving the public.

16 The Court heard oral argument on the parties' post-trial motions on March 12, 2010. After the
17 motions were taken under submission, ATC filed two notices with the Court. First, ATC alerted the
18 Court to the Federal Circuit's recent *en banc* decision in Ariad Pharms., Inc. v. Eli Lilly & Co., —
19 F.3d —, 2010 WL 1007369 (Fed. Cir. Mar. 22, 2010) (*en banc*), arguing it supported ATC's motion
20 for judgment as a matter of law and motion for a new trial with respect to invalidity for lack of written
21 description in the '356 patent. [Doc. No. 343]. Second, ATC notified the Court of the First Office
22 Action by the USPTO in the reexamination proceedings, which rejected all of the asserted claims of
23 the '356 patent based on anticipation and obviousness. [Doc. No. 346]. Presidio filed responses in
24 opposition to both of these notices. [Doc. Nos. 345, 347].

25 LEGAL STANDARD

26 For issues not unique to patent law, such as sufficiency of the evidence on issues tried to the
27 jury, the Court applies the law of the regional circuit in which it sits, here the Ninth Circuit. See Duro-
28 Last, Inc. v. Custom Seal, Inc., 321 F.3d 1098, 1106 (Fed. Cir. 2003) (citations omitted). Otherwise,

1 for all substantive issues of patent law, the Court applies the law of the Court of Appeals for the
2 Federal Circuit. See id. (citations omitted).

3 In the Ninth Circuit, a judgment as a matter of law (“JMOL”) pursuant to Federal Rule of Civil
4 Procedure 50(a) is proper only “if the evidence, construed in the light most favorable to the
5 nonmoving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury’s
6 verdict.” Pavao v. Pagay, 307 F.3d 915, 918 (9th Cir. 2002) (citation omitted). Phrased otherwise, a
7 JMOL should be granted only if ““there is no legally sufficient evidentiary basis for a reasonable jury
8 to find for that party on that issue”” and the verdict reached by the jury is ““against the great weight
9 of the evidence.”” Hangarter v. Provident Life & Acc. Ins. Co., 373 F.3d 998, 1005 (9th Cir. 2004)
10 (citations omitted). ““Although the court should review the record as a whole, it must disregard
11 evidence favorable to the moving party that the jury is not required to believe, and may not substitute
12 its view of the evidence for that of the jury.”” Pavao, 307 F.3d at 918 (citation omitted). Thus, the
13 Court must keep in mind that “credibility determinations, the weighing of the evidence, and the
14 drawing of legitimate inferences from the facts are jury functions, not those of a judge.” Hangarter,
15 373 F.3d at 1005 (internal quotation marks and citations omitted).

16 The Court may grant a new trial pursuant to Federal Rule of Civil Procedure 59(a) only if ““the
17 verdict is contrary to the clear weight of the evidence, or is based upon evidence which is false,”” or
18 if a new trial is necessary ““to prevent . . . a miscarriage of justice.”” Hangarter, 373 F.3d at 1005
19 (citation omitted). The Court “has the duty to weigh the evidence as the court saw it, and to set aside
20 the verdict of the jury, even though supported by substantial evidence, where, in the court’s
21 conscientious opinion, the verdict is contrary to the clear weight of the evidence.” Moski v. M.J.
22 Cable, Inc., 481 F.3d 724, 729 (9th Cir. 2007) (internal quotation marks and citations omitted).

23 DISCUSSION

24 I. Validity

25 A. Preliminary matters

26 As an initial matter, the Court addresses ATC’s arguments that Dr. Ewell was unqualified to
27 render an opinion as a person of ordinary skill in the art, that he relied on his undisclosed opinion, and
28 that in any event his testimony was legally irrelevant and could not support the verdict of no invalidity.

1 The Court also addresses ATC's argument that Presidio improperly referred to "insertion loss" in its
2 closing argument.

3 The parties have previously agreed that "[t]he level of ordinary skill in the art of the '356
4 patent is medium. The ordinary artisan would hold a masters or similar degree, or the experiential
5 equivalent thereof, in Electrical Engineering or a similar field, and would have at least two years of
6 industry experience in designing multilayer capacitors." (Pretrial Order, at 5 [Doc. No. 182].) ATC
7 argues Dr. Ewell does not meet this criteria because he admitted that he has "never from scratch
8 designed" a capacitor in his entire career. (See Trial Tr. Day 7, at 93:8-93:9.) Presidio responds that
9 Dr. Ewell is well-qualified as an expert witness because he has more than three decades of work
10 experience relating to capacitors, including experience relating to the review of and consultation
11 regarding designs of multilayer capacitors. (See *id.* at 69:14-73:5.) Moreover, Presidio argues ATC
12 did not object or attempt to voir dire Dr. Ewell at trial.

13 ATC correctly notes that one who is not qualified in the pertinent art may not testify as an
14 expert on technical issues such as validity, anticipation, or scope of the prior art. See Sundance, Inc.
15 v. DeMonte Fabricating Ltd., 550 F.3d 1356, 1364 (Fed. Cir. 2008). However, the Court retains
16 considerable discretion in allowing testimony if the expert witness has "sufficient relevant technical
17 expertise." See SEB S.A. v. Montgomery Ward & Co., Inc., 594 F.3d 1360, 1373 (Fed. Cir. 2010).
18 In the present case, although Dr. Ewell does not meet the requirement agreed to by the parties that a
19 person qualified in the art "would have at least two years of industry equivalent in *designing*
20 multilayer capacitors," Dr. Ewell clearly has "sufficient relevant technical experience." See *id.* Dr.
21 Ewell testified that he has been working in the field of electronic components, of which the primary
22 component has been multilayer ceramic capacitors, for over thirty years, including ten years at the
23 Hughes Aircraft Company and twenty-five years at the Aerospace Corporation. (Trial Tr. Day 7, at
24 69:16-70:7.) As part of his job, Dr. Ewell served on the technical audit team which evaluated
25 manufactured multilayer capacitors, "along with the designs used to produce the parts and the testing
26 given them to ensure that they were adequately reliable." (See *id.* at 70:23-71:3.) Accordingly, Dr.
27 Ewell is more than qualified to render an opinion in the pertinent art of designing multilayer ceramic
28 capacitors. Moreover, Presidio correctly points out that ATC did not object or attempt to voir dire Dr.

1 Ewell at trial.⁵ For the foregoing reasons, the Court denies ATC's objections to Dr. Ewell's testimony.

2 Likewise, there is no merit to ATC's argument that the Court should ignore Dr. Ewell's
3 testimony as legally irrelevant. ATC argues Dr. Ewell's testimony should be excluded because: (1)
4 he improperly injected an additional requirement limiting the Court's construction of the term "fringe
5 effect capacitance" from a "determinable capacitance" to a "determinable *fringe-effect* capacitance;"
6 (2) he improperly limited "determinable capacitance" to the measurement of a *physical capacitor*; and
7 (3) he improperly required testing of actual samples for determining whether capacitance exists.
8 However, in light of the fact that the '356 patent discusses both parallel capacitance and fringe-effect
9 capacitance, there was no error in referring to "determinable *fringe-effect* capacitance" when
10 discussing the specific limitations of claim 1. Likewise, even assuming as true ATC's allegations that
11 Dr. Ewell limited "determinable capacitance" to the testing of actual physical samples, whether any
12 such limitation was proper in this context was for the jury to determine, not the Court. See Hangarter,
13 373 F.3d at 1005 (noting that at the JMOL stage, the credibility determinations, weighing of the
14 evidence, and drawing of legitimate inferences is the province of the jury, not the judge). Nothing
15 prevented ATC from cross-examining Dr. Ewell as to his allegedly idiosyncratic views, and indeed
16 ATC did so extensively. (See, e.g., Trial Tr. Day 7, at 94:18-98:15, 108:7-112:17, 113:17-116:21.)

17 The Court also rejects ATC's argument that Dr. Ewell relied on undisclosed expert opinion
18 during his testimony. ATC argues Dr. Ewell never opined in his report on the propriety of Dr.
19 Dougherty's testing of the August 2000 capacitors, or that there would be only a "parallel-plate
20 capacitor left" in the fragment after shaving. However, there is sufficient analysis in Dr. Ewell's expert
21 report on the impropriety of the testing done by Dr. Dougherty and why that fails to demonstrate
22 fringe-effect capacitance. (See Pl. Rebuttal Expert Report of Gary J. Ewell, at 65-78 [Doc. No. 320-
23 8].) Dr. Ewell's report also sufficiently covers the other issues objected to by ATC.

24 Finally, there is also no merit to ATC's argument that Presidio improperly referred to

25
26 ⁵ In its reply, ATC notes it did object to Dr. Ewell's qualifications and fitness as an expert at
27 the summary judgment stage. The Court rejected those objections at that time, noting that "[w]hile Dr.
28 Ewell stated he does not design multi-layer capacitors in his current position, his long experience
regarding capacitors, including evaluating capacitor reliability and compliance with a particular
specification, qualify him to opine on how a skilled artisan would apply the claim language." (See
Order Denying Defendant's Motion for Summary Judgment of Indefiniteness, at 8 [Doc. No. 32].) To
the extent ATC seeks reconsideration, the Court now reaffirms its prior ruling.

“insertion loss” in its closing argument. (See Trial Tr. Day 8, at 59:18-59:24.) Contrary to ATC’s argument, Presidio did not attempt to *define* “fringe-effect capacitance” with the term “insertion loss” contrary to the Court’s claim construction and *in limine* ruling. Rather, Presidio merely indicated that “insertion loss” has been mentioned during the trial. In light of the fact that the specifications of the ‘356 patent extensively discuss “insertion loss,” there was no error in referring to this term. Moreover, the reference to “insertion loss” was so minute and isolated, there is no reason to believe it was even noticed by the jury, not to mention influenced its decision. Accordingly, the Court denies ATC’s objection on this ground as well.

B. Anticipation⁶

ATC seeks a judgment as a matter of law that certain prior art anticipated the asserted claims of the ‘356 patent. Anticipation under 35 U.S.C. § 102 “requires a single prior art reference which discloses each and every element of the claimed invention.”⁷ Dickson Indus., Inc. v. Patent Enforcement Team, L.L.C., 333 Fed. App’x 514, 517 (Fed. Cir. 2009) (citing Akzo N.V. v. U.S. Int’l Trade Comm’n, 808 F.2d 1471, 1479 (Fed. Cir. 1986)). Anticipation is an affirmative defense, which the defendant must demonstrate by clear and convincing evidence. i4i Ltd. Partnership v. Microsoft Corp., — F.3d —, 2010 WL 801705, at **9-10 (Fed. Cir. 2010) (citations omitted). In an anticipation analysis, what a prior art reference discloses is a factual determination that the Court will not overturn unless it was not supported by substantial evidence. Dickson Indus., 333 Fed. App’x at 517-18.

i. ATC’s argument that fringe-effect capacitance is always present

First, ATC argues there is nothing new about “fringe-effect capacitance” because, according to the laws of physics, it is always present in multilayer capacitors wherever two conductive contacts are positioned in an edge-to-edge relationship. Thus, one can always use the universally known

⁶ ATC challenges the jury verdict of no invalidity as to all of the asserted claims 1-5, 16, and 18-19. However, as already mentioned, only claim 1 is truly independent. All of the other seven claims are dependent at least on claim 1 (and in case of claims 4-5, also on claim 3). Accordingly, in the discussion that follows, the Court will focus mostly on whether ATC has shown that claim 1 is invalid. If legally sufficient evidence is present to find that claim 1 is not invalidated, that necessarily means there is sufficient evidence to find that none of the other claims are invalidated.

⁷ The statute provides that “A person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.” 35 U.S.C. §102(b).

1 equation of $C=kA/d$ to measure the capacitance, no matter how small.⁸ ATC contends this was even
2 acknowledged by Dan Devoe and Dr. Ewell.⁹

3 Despite ATC's arguments to the contrary, there was substantial evidence before the jury to
4 conclude that "fringe-effect capacitance" is *not* always present—i.e., that it is not always *determinable*
5 or "*capable of being determined* in terms of a standard unit" as required by the Court's claim
6 construction. For example, Dr. Huebner testified that in order to demonstrate whether this claim
7 limitation is met, one could and should analyze the thickness of the external contacts, the separation
8 distance, and the dielectric. (Trial Tr. Day 4, at 77:14-85:7.) Likewise, Dr. Ewell testified that even
9 if fringe-effect capacitance is always present, such capacitance is not always determinable. (Trial Tr.
10 Day 7, at 108:18-109:9.)

11 *ii. Figueroa patent*

12 ATC argues the capacitor described in Figure 12 of the Figueroa patent, U.S. patent number
13 6,483,692 ("Figueroa patent") anticipates the asserted claims. ATC points to the "striking
14 resemblance" of the Figure 12 of the Figueroa patent to Figure 15A of the '356 patent. According to
15 ATC, "[i]f fringe-effect capacitance is reportedly created in the 2 mil gap of the '356 patent [132],
16 without the thickness of contacts or any of the other parameters being disclosed, then a comparable
17 disclosure of a gap of 2.56 mils or less in Figueroa must also result in fringe-effect capacitance." (Def.
18 Motion for JMOL or New Trial, at 24.)

19
20
21
22
23 ⁸ In the $C=kA/d$ equation, "k" represents the dielectric constant of the insulating material
24 between the plates, "A" represents the area of each of the opposed plates in square meters, "d"
represents the distance between the plates, and "C" is the resulting capacitance in farads.

25 ⁹ ATC also argues another Presidio patent, the Trinh and Daniel Devoe patent, U.S. patent
26 number 6,545,854 ("Trinh patent" or "the '854 patent") unequivocally states that "fringe-effect
27 capacitance is always present" (See Def. Motion for JMOL or New Trial, Ex. ABP, col. 9:49-
28 9:50.) However, ATC takes this phrase out of context. The '854 patent goes on to state that when the
voltage is small, that fringe-effect capacitance is "negligible" in comparison to the overall capacitance,
and accordingly is "disregarded." (*Id.* col. 9:52-9:56.) Thus, a reasonable jury could have concluded
that, even if "always present," such fringe-effect capacitance is not always *determinable* as required
by the Court's claim construction.

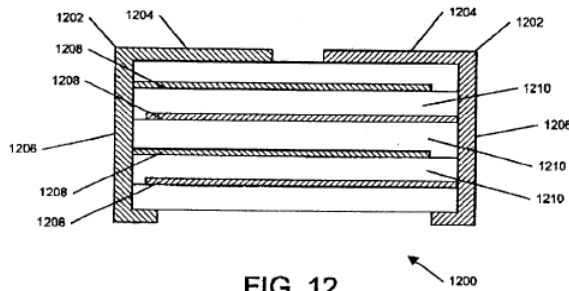


FIG. 12

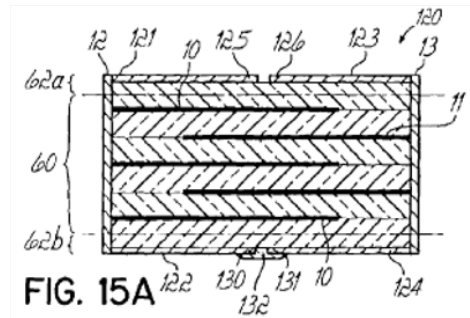


FIG. 15A

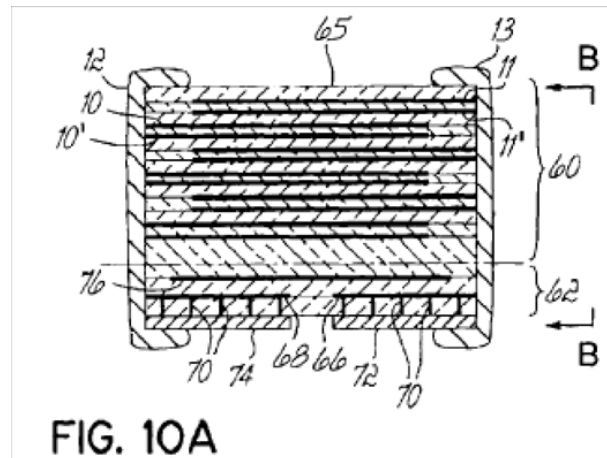
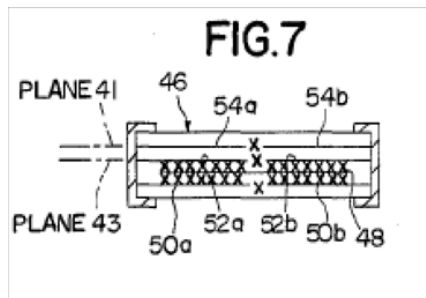
There was legally sufficient evidence before the jury to conclude the Figueroa patent did not anticipate all of the elements of the asserted claims. As Presidio notes, the Figueroa patent never mentions “fringe-effect capacitance” or provides the necessary information needed to conclude whether any such capacitance in Figure 12 exists and/or is determinable. ATC’s argument that fringe-effect capacitance must exist in the 2.56 mils or less gap in Figure 12, since it exists in the 2 mil gap in Figure 15A of the ‘356 patent, is unavailing. Viewing the evidence in favor of the verdict, the jury was free to accept Dr. Ewell’s detailed explanation as to why there was insufficient data on whether there was determinable capacitance in Figure 12. (See Trial Tr. Day 7, at 108:7-116:21.)

The cases relied upon by ATC are inapposite. First, in the part of Constant v. Advanced Micro-Devices, Inc., 848 F.2d 1560, 1569 (Fed. Cir. 1988), cited by ATC, the Federal Circuit only decided whether a prior reference was enabling. Answering this question in the affirmative, the court noted that the disclosure in the prior art was “at least at the same level of technical detail as the disclosure in the [patent-in-suit].” *Id.* Similarly, in the part of SRI Int’l, Inc. v. Internet Sec. Sys., Inc., 511 F.3d 1186, 1193-94 (Fed. Cir. 2008), cited by ATC, the court was only concerned with whether a particular reference qualified as a “prior art.” In the present case, there has been no suggestion that the Figueroa patent is not enabling or that it does not qualify as prior art. Rather, the issue here is whether the Figueroa patent anticipates the asserted claims of the ‘356 patent because it teaches or describes “fringe-effect capacitance.” See *id.* at 1192 (“A patent claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.”) (citation omitted)). As already noted, the Figueroa patent nowhere mentions the “fringe-effect capacitance,” nor does it provide the necessary information needed to conclude whether any such capacitance in Figure 12 exists and/or is determinable.

Accordingly, there was legally sufficient evidence for the jury to conclude that the Figueroa patent does not anticipate the asserted claims of the '356 patent because it does not by itself describe each and every limitation of the asserted claim 1. See Dickson Indus., 333 Fed. App'x at 517.

iii. *Heron patent*

ATC next argues the capacitor described in Figure 7 of the Heron patent, U.S. patent number 4,931,901 ("Heron patent") anticipates the asserted claims of the '356 patent, at least as illustrated in Figure 10A of the '356 patent. Heron measured fringe-effect capacitance on actual capacitors and also used the standard capacitance formula to estimate capacitance during the design. The fringe-effect capacitance between *internal* electrodes 54a and 54b (and 50a and 50b) was expressly acknowledged by the Heron patent. According to ATC, this anticipates claim 1 of the '356 patent because the internal electrodes in Figure 7 are in turn connected to C-shaped plates that are "arranged on an external surface portion" of the dielectric body as required by the Court's claim construction in this case.



Nonetheless, there was substantial evidence for the jury to find that the Heron patent does not anticipate claim 1 of the '356 patent. First, the Heron patent itself describes only fringe-effect capacitance between *internal* electrodes. There is nothing in Heron that would, by itself, teach fringe-effect capacitance between the *external* points of the C-shaped plates. Moreover, Presidio presented testimony of Dr. Ewell that the Heron patent did not teach fringe-effect capacitance between external contacts. (See Trial Tr. Day 7, at 89:24-90:6, 128:19-128:24, 129:8-129:13, 130:9-130:23.) Although

1 this testimony was contradicted by Dr. Dougherty, the Court must disregard that testimony in
2 determining whether there is “substantial evidence” supporting the jury’s verdict. See Pavao, 307 F.3d
3 at 918. Accordingly, in light of Dr. Ewell’s testimony, the Court finds there was substantial evidence
4 for the jury to find that the Heron patent does not anticipate the asserted claims of the ‘356 patent
5 because it does not by itself describe each and every limitation of the asserted claim 1.

6 *iv. August 2000 capacitors*

7 ATC next argues the capacitors from Presidio’s Lot No. 00126-18A that were sold to JDS
8 Uniphase (“JDSU”) in August 2000 (“August 2000 capacitors”) also anticipate all of the asserted
9 claims, except claims 2 and 4. Dr. Dougherty confirmed that fringe-effect capacitance existed in the
10 August 2000 capacitors by using three different methods (Walker formula, $C=kA/d$ formula, and
11 capacitance meter). However, to test the capacitance, Dr. Dougherty admitted that he had to “polish
12 back and cut away” almost all of the capacitor, so as to leave only the area where the fringe-effect
13 capacitance was supposed to exist. (See Trial Tr. Day 5, at 159:3-159:22.) By doing so, Dr. Dougherty
14 in effect shaved off almost 90% of the August 2000 capacitor. (See Trial Tr. Day 6, at 42:3-45:11.)
15 In light of this, Presidio argues Dr. Dougherty did not really test the August 2000 capacitor itself, but
16 rather some other new part with different structure and electrical performance. (See Trial Tr. Day 7,
17 at 87:7-88:13.) Moreover, according to Presidio, only parallel capacitance—if any—would have
18 remained in the August 2000 capacitor after the shaving. (See Trial Tr. Day 7, at 88:14-88:23.)

19 Once again, it was up to the jury to decide how much weight to give to the respective
20 testimony by Dr. Dougherty and Dr. Ewell. By finding no anticipation by the August 2000 capacitors,
21 the jury must have believed Dr. Ewell that Dr. Dougherty’s method of testing for capacitance in the
22 August 2000 capacitor was improper. Or they could have credited Dr. Ewell’s testimony that only
23 parallel capacitance—if any—would have remained in the August 2000 capacitor after shaving. In any
24 event, Dr. Ewell’s testimony provides legally sufficient evidence to support either of those
25 conclusions, and it is not the job of the Court to second-guess the jury on the issues of credibility of
26 the witnesses or the weighing of the evidence. See Hangarter, 373 F.3d at 1005. Accordingly, there
27 was legally sufficient evidence for the jury to find that the August 2000 capacitors do not anticipate
28 the asserted claims of the ‘356 patent. See Dickson Indus., 333 Fed. App’x at 517.

1 C. Obviousness

2 ATC next argues the asserted claims of the '356 patent were obvious to a person of ordinary
3 skill in the art in light of the prior art. Obviousness is a legal question, whereby the court must
4 determine whether the subject matter of the claimed invention "would have been obvious at the time
5 the invention was made to a person having ordinary skill in the art to which said subject matter
6 pertains." 35 U.S.C. § 103(a); see also KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 415-16 (2007);
7 Lucent Tech., Inc. v. Gateway, Inc., 580 F.3d 1301, 1310 (Fed. Cir. 2009). "Underpinning that legal
8 issue are factual questions relating to the scope and content of the prior art, the differences between
9 the prior art and the claimed invention, the level of ordinary skill in the art, and any relevant secondary
10 considerations [of non-obviousness], such as commercial success, long-felt need, and the failure of
11 others." PharmaStem Therapeutics, Inc. v. ViaCell, Inc., 491 F.3d 1342, 1359-60 (Fed. Cir. 2007)
12 (citations omitted); accord Graham v. John Deere Co., 383 U.S. 1, 17-18 (1966).

13 The burden at trial is on the patent challenger to show by clear and convincing evidence that
14 "a person of ordinary skill in the art would have had reason to attempt to make the composition or
15 device, or carry out the claimed process, and would have had a reasonable expectation of success in
16 doing so." PharmaStem, 491 F.3d at 1360 (citations omitted). Thus, "a patent composed of several
17 elements is not proved obvious merely by demonstrating that each of its elements was, independently,
18 known in the prior art." KSR, 550 U.S. at 418 (citing United States v. Adams, 383 U.S. 39 (1966)).
19 Rather, the court must "look to interrelated teachings of multiple patents; the effects of demands
20 known to the design community or present in the marketplace; and the background knowledge
21 possessed by a person having ordinary skill in the art, all in order to determine whether there was an
22 apparent reason to combine the known elements in the fashion claimed by the patent at issue." Id.

23 i. *Was there a reason to combine the known elements in the fashion claimed by*
24 *the '356 patent, and a reasonable expectation of success in doing so?*

25 ATC argues there is no dispute that prior art teaches: (1) multilayer ceramic capacitors having
26 the first five elements of claim 1; (2) the additional elements of dependent claims 5, 16, 18, and 19;
27 (3) presence of fringe-effect capacitance wherever two conductive contacts are positioned in an edge-
28 to-edge relationship; and (4) use of insulating layers as an optional feature partially or completely
covering contacts (or parts thereof) to prevent electrical sparking. Thus, wouldn't it be obvious to

1 combine the first five elements of the asserted claim 1 with fringe-effect capacitance between edges,
2 knowing that the capacitance gets larger as the gap gets closer? Also, wouldn't it be obvious that the
3 fringe-effect capacitance, which is disclosed for *internal* contacts 50a and 50b of the Heron patent,
4 would similarly apply to the *external* pair of C-shaped terminations based on the same edge-to-edge
5 geometry? Wouldn't it be obvious to bring those contacts to the surface? Wouldn't it be obvious that
6 if fringe-effect capacitance existed in a 1 mil gap as disclosed in the Gowen patent,¹⁰ that it would also
7 exist in the 2.56 mils or less gap shown in the Figueroa patent? Wouldn't a person of ordinary skill
8 in the art apply an insulating layer if he wanted to prevent arcing across the surface? According to
9 ATC, knowledge and common sense, as well as market pressure—rather than innovation—would have
10 been the motivation for these combinations.

11 However, the issue before the Court is much narrower than ATC makes it appear. At trial, the
12 jury was asked only: (1) whether all of the asserted claims of the '356 patent were obvious in light of
13 the combination of the Heron patent with the Aoyagi patent,¹¹ and (2) whether claims 2 and 4 were
14 obvious in light of the combination of the August 2000 capacitors with the Aoyagi patent. (See Verdict
15 Form, at 3-4 [Doc. No. 298].) Seeing as the Aoyagi patent only teaches an insulating layer across the
16 surface,¹² the combination of it with either the Heron patent or the August 2000 capacitors would not
17 have rendered the '356 patent obvious because, as discussed above, there is sufficient evidence to
18 support the jury finding that neither of those patents teaches a fringe-effect capacitance between the
19 external contacts that is "capable of being determined in terms of a standard unit." Accordingly, if
20 neither the Heron patent nor the August 2000 capacitors by itself teaches such fringe-effect
21 capacitance, a combination with the Aoyagi patent would not have made that any more obvious.

22 In any event, even if ATC's request for a JMOL as to obviousness based on other combinations
23 is procedurally proper, ATC has not carried its burden of demonstrating that a person of ordinary skill
24 in the art would have had the reason to combine the known elements *and* would have had a reasonable
25 expectation of success in doing so. See PharmaStem, 491 F.3d at 1360. Notably, ATC does not point

26 ¹⁰ U.S. patent number 3,304,475 ("Gowen patent").

27 ¹¹ U.S. patent number 5,978,205 ("Aoyagi patent").

28 ¹² See Trial Tr. Day 5, at 164:11-165:1, 176:9-178:24.

1 to any testimony at trial that would suggest any reason to extend the fringe-effect capacitance to the
2 external contacts in Figure 7 of the Heron patent or any motivation to bring the internal contacts to
3 the surface. As the Supreme Court has recently stated, the fact that both of those concepts were
4 “obvious” independently does not make their ultimate combination obvious. See KSR, 550 U.S. at
5 418-19. Rather, it is

6 important to identify a reason that would have prompted a person of ordinary skill in
7 the relevant field to combine the elements in the way the claimed new invention does.
8 This is so because inventions in most, if not all, instances rely upon building blocks
9 long since uncovered, and claimed discoveries almost of necessity will be
10 combinations of what, in some sense, is already known.

11 Id. In the present case, ATC’s rhetorical questions notwithstanding, there was no testimony presented
12 at trial to show any reason for combining those elements.¹³ Accordingly, ATC failed to carry its
13 burden of demonstrating obviousness by clear and convincing evidence. See In re Dembiczak, 175
14 F.3d 994, 999 (Fed. Cir. 1999), abrogated on other grounds by In re Gartside, 203 F.3d 1305 (Fed. Cir.
15 2000) (“Our case law makes clear that the best defense against the subtle but powerful attraction of
16 a hindsight-based obviousness analysis is rigorous application of the requirement for a showing of the
17 teaching or motivation to combine prior art references.” (citations omitted)); In re Rouffet, 149 F.3d
18 1350, 1359 (Fed. Cir. 1998) (noting that the patent challenger must identify specifically and explain
19 “the reasons one of ordinary skill in the art would have been motivated to select the references and
20 to combine them to render the claimed invention obvious” (citation omitted)).

21 ii. *Obviousness due to contemporaneous conception by others.*

22 In the alternative, ATC argues obviousness is demonstrated by the fact that similar edge-to-
23 edge design was conceived by Charles Rosier, a JDSU engineer, no later than January 15, 2001, and
24 ATC’s engineer Richard Monsorno in August 2001. (See Def. Motion for JMOL, Exs. CL, AGN.)
25 Presidio responds there is no evidence that Mr. Rosier conceived all of the limitations of all of the
26 claims, and, in any event, the jury already rejected any such argument. Likewise, according to

27 ¹³ As already noted, the only testimony offered at trial by ATC on combining known elements
28 was Dr. Dougherty’s testimony on combining the Aoyagi patent with either the Heron patent or the
August 2000 capacitors. (See Trial Tr. Day 5, at 164:11-165:1, 176:9-178:24.) However, neither of
those combinations would overcome the Court’s prior finding that legally sufficient evidence supports
the jury’s conclusion that *these* references do not anticipate the asserted claims because they do not
teach fringe-effect capacitance between external contacts. (See supra Part I.B.iii-iv.)

1 Presidio, there is no evidence that anything conceived by Dr. Monsorno was “remarkably similar to
2 the capacitors in the ‘356 patent,” and, in any event, those designs were presented to the USPTO
3 during the prosecution of the ‘356 patent, and the USPTO proceeded to issue the ‘356 patent.

4 The testimony pointed to by ATC is insufficient to establish by clear and convincing evidence
5 that the asserted claims of the ‘356 patent are rendered obvious by the Rosier and Monsorno drawings.
6 There was extensive testimony by Alan Devoe that raised doubts as to any “contemporaneous
7 conception” by Charles Rosier and whether he invented anything related to the ‘356 patent. (See, e.g.,
8 Trial Tr. Day 3, at 182:9-185:22; Trial Tr. Day 4, at 3:21-9:1, 15:18-20:19, 25:20-26:5; 32:20-33:3.)
9 As for the Monsorno drawing, ATC fails to point to any testimony at trial that discussed whether it
10 rendered obvious all of the asserted claims. Rather, the only testimony concerned the drawing’s
11 alleged “single-piece” construction. (See Trial Tr. Day 5, at 49:19-50:12.) Finally, the only testimony
12 about “fringe-effect capacitance” concerned the Monsorno patent from 1996¹⁴ and *not* the Monsorno
13 drawing from August 22, 2001, depicted in ATC’s Exhibit CL. (See Trial Tr. Day 5, at 47:3-48:22.)
14 There is no dispute that the Monsorno *patent* was disclosed to the USPTO during the prosecution of
15 the ‘356 patent. (See ‘356 patent, at 1 (listing the Monsorno ‘926 patent among the “References
16 Cited”).) Accordingly, the Rosier and Monsorno drawings are insufficient to establish obviousness.¹⁵

17 D. Reexamination proceedings

18 The conclusion that ATC has failed to prove anticipation and obviousness by clear and
19 convincing evidence is not affected by the USPTO’s recent reexamination proceedings. As previously
20 noted, on July 23, 2009, ATC submitted a replacement Request for Reexamination of the ‘356 patent.
21 On October 20, 2009, the USPTO granted the request, noting there were substantial new questions of
22 patentability with respect to the asserted claims in light of nine prior art references identified by ATC.
23 Then, on March 23, 2009, the USPTO issued a First Office Action on the merits, rejecting all of the
24 asserted claims on the grounds of anticipation and obviousness. However, just like its name implies,
25 the First Office Action is only a *preliminary* determination by the USPTO—it is not a “final” action,

26 ¹⁴ U.S. patent number 5,576,926 (“Monsorno patent”).

27 ¹⁵ ATC’s claim of “contemporaneous conception” is further undermined by the jury’s express
28 finding that ATC failed to meet its burden of showing that the ‘356 patent does not “name all actual
inventors and only the actual inventors.” (See Verdict Form, at 4 [Doc. No. 298].)

1 and the examiner could still change his decision or completely reverse it before issuing the final
2 action. See 37 C.F.R. §§ 1.112, 1.550; accord Heinl v. Godici, 143 F. Supp. 2d 593, 598-99 (E.D. Va.
3 2001). Accordingly, any such determination is *not* persuasive evidence of anticipation or obviousness.
4 See Medtronic, Inc. v. Catalyst Research Corp., 547 F. Supp. 401, 410 (D. Minn 1982); accord
5 Cimcore Corp. v. Faro Techs., Inc., Civil No. 03 CV 2355-B (WMc), 2007 WL 935665, at *2 (S.D.
6 Cal. Mar. 12, 2007) (“The office action is a first office action, not a final rejection by the USPTO.
7 Even if it were a final rejection, until the patentee addresses the rejections with argument or claim
8 amendments and the reexamined patent issues, the prosecution history is incomplete and estoppel has
9 yet to be determined.”).

10 E. Enablement

11 ATC next argues the asserted claims are invalid due to lack of enablement. The enablement
12 requirement is set forth in Section 112, which provides that the patent’s specification shall describe
13 “the manner and process of making and using [the invention], in such full, clear, concise, and exact
14 terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly
15 connected, to make and use [the invention].” 35 U.S.C. § 112. “The enablement requirement is
16 satisfied when one skilled in the art, after reading the specification, could practice the claimed
17 invention without undue experimentation.” AK Steel Corp. v. Sollar & Uginie, 344 F.3d 1234, 1244
18 (Fed. Cir. 2003) (citation omitted). Factors to be considered in determining whether undue
19 experimentation would be required include: “(1) the quantity of experimentation necessary, (2) the
20 amount of direction or guidance presented, (3) the presence or absence of working examples, (4) the
21 nature of the invention, (5) the state of the prior art, (6) the relative skill of those in the art, (7) the
22 predictability or unpredictability of the art, and (8) the breadth of the claims.” In re Wands, 858 F.2d
23 731, 737 (Fed. Cir. 1988) (citations omitted).

24 *i. “Substantially monolithic”*

25 First, ATC argues there is no definition of the phrase “substantially monolithic” provided in
26 the specifications of the ‘356 patent, the term was never heard of or applied before by any of the
27 technical experts in this case, and even if a dielectric body can be “monolithic,” there can be no
28 degrees of “monolithichness.” ATC argues it would take great time, cost, and effort to determine what

1 the '356 patent means by "substantially monolithic," especially in light of the medium level of skill,
2 and the fact that the '356 patent does not disclose a working example or that Presidio never produced
3 a single capacitor practicing the asserted claims. Thus, according to ATC, undue experimentation
4 would be required, making the asserted claims invalid. See AK Steel, 344 F.3d at 1243-45.

5 ATC, however, cannot show by clear and convincing evidence that the phrase "substantially
6 monolithic" is not sufficiently enabled, let alone that the jury verdict is "'against the great weight of
7 the evidence.'" See Hangarter, 373 F.3d at 1005 (citation omitted). As previously noted, at the JMOL
8 stage, the Court has to disregard evidence favorable to the moving party and must determine if the jury
9 verdict is supported by legally sufficient evidence. See Payao, 307 F.3d at 918. In the present case,
10 Dr. Ewell testified that the phrase "substantially monolithic" is both "definite" and "clear and
11 understandable" to one of ordinary skill in the art. (See Trial Tr. Day 7, at 73:21-74:9.) According to
12 Dr. Ewell, one of ordinary skill in the art could use an objective test to determine whether a multilayer
13 capacitor is substantially monolithic by measuring its reliability when subjected to thermal cycling
14 or to vibration and shocks. (Id. at 74:10-75:2.) Similarly, the phrase was clear and understandable to
15 Dr. Huebner, who would have relied on measuring the multilayer capacitor's durability and its ability
16 to perform as a capacitor. (See Trial Tr. Day 4, at 129:2-130:22.)

17 ATC's objection on the ground that the '356 patent does not mention anything about reliability
18 or durability misses the mark. Section 112 does not require the patent to define each and every word
19 used—for if it did, then every patent would have to be "written as a comprehensive tutorial and treatise
20 for the generalist, instead of a concise statement for persons in the field." See Verve, LLC v. Crane
21 Cams, Inc., 311 F.3d 1116, 1119 (Fed. Cir. 2002). Rather, a patent is sufficiently enabled if a person
22 of ordinary skill in the art could make and use the invention without undue experimentation. See 35
23 U.S.C. § 112; AK Steel, 344 F.3d at 1244. In the present case, the jury was entitled to believe Drs.
24 Ewell and Huebner in that little, if any, experimentation would be necessary to determine what the
25 '356 patent meant by "substantially monolithic." (See, e.g., Trial Tr. Day 4, at 129:2-130:22; Trial Tr.
26 Day 7, at 74:10-75:2.) The '356 patent also has a very detailed background section listing specific
27 examples of known capacitors and explaining the industry's knowledge of their design and
28 application, including detailed technical information, which would help one of ordinary skill in

1 determining what the phrase “substantially monolithic” meant. Moreover, once the Court construed
2 the phrase “substantially monolithic,” all of the experts in this case were able to apply the definition
3 to the capacitors and prior art at issue. Cf. Aero Products Int’l, Inc. v. Intex Recreation Corp., 466 F.3d
4 1000, 1016 (Fed. Cir. 2006) (“If a claim is amenable to construction, ‘even though the task may be
5 formidable and the conclusion may be one over which reasonable persons will disagree,’ the claim is
6 not indefinite.” (citation omitted)). Indeed, having reviewed all of the In re Wands factors, only one
7 of them—absence of working examples—potentially weighs in ATC’s favor. See 858 F.2d at 737. In
8 light of the above, this is insufficient by itself to find lack of enablement.

9 Finally, the use of the word “substantially” does not make the phrase “substantially
10 monolithic” less enabling. As Presidio notes, the use of the claim term “substantially” has repeatedly
11 been held to be proper, and definite. See, e.g., Kinzenbaw v. Case LLC, 179 Fed. App’x 20, 29-31
12 (Fed. Cir. 2006) (“substantially uniformly distributed” and “substantially on the center line”); Verve,
13 311 F.3d at 119-20 (“substantially constant wall thickness”); Ecolab, Inc. v. Envirochem, Inc., 264
14 F.3d 1358, 1366-67 (Fed. Cir. 2001) (“substantially uniform”); Andrew Corp. v. Gabriel Elec., Inc.,
15 847 F.2d 819, 821-22 (Fed. Cir. 1988) (“substantially equal”). As the Federal Circuit has noted, the
16 term “substantially” is a descriptive term used in patent claims to “avoid a strict numerical boundary
17 to the specified parameter.” Ecolab, 264 F.3d at 1367 (term “substantially” used to avoid “the strict
18 100% nonuniformity boundary”); accord Verve, 311 F.3d at 1120 (“Expressions such as
19 ‘substantially’ are used in patent documents when warranted by the nature of the invention, in order
20 to accommodate the minor variations that may be appropriate to secure the invention.”). Such usage
21 may indeed be necessary “to provide the inventor with the benefit of his invention” as well as “to
22 distinguish the claimed subject matter from the prior art.” See Verve, 311 F.3d at 1120. In the present
23 case, the term “substantially” avoids the strict 100% “monolithichness” of the dielectric, which Dr.
24 Ewell testified is not possible to achieve. (See Trial Tr. Day 4, at 130:4-131:4.)

25 ii. “Sufficiently close . . . to form a first fringe-effect capacitance”

26 Second, ATC argues the ‘356 patent lacks enabling information with respect to the phrase:
27 “sufficiently close . . . to form a first fringe-effect capacitance” because the patent does not disclose
28 the thickness of the contacts, the voltage rating, the dielectric, or the dielectric constant. According

1 to ATC, due to lack of this information, a person of ordinary skill in the art would not be able to tell
2 whether any given capacitor fell within the scope of the asserted claims. Moreover, ATC argues that
3 Presidio's failure to build a single capacitor practicing the asserted claims, as well as the four years
4 it took ATC to develop its allegedly infringing 545L capacitor, demonstrate that this element cannot
5 be practiced without undue experimentation.

6 Although ATC raises some good arguments, they are nonetheless insufficient to demonstrate
7 that the jury's verdict was "against the great weight of the evidence." See Hangarter, 373 F.3d at
8 1005 (citation omitted). Both Dr. Ewell and Dr. Huebner testified that the disputed term was clear and
9 ascertainable. For example, Dr. Huebner testified that to determine whether the contacts were
10 "sufficiently close" to form a fringe-effect capacitance, a person of ordinary skill in the art would
11 analyze the thickness of the external contacts, the separation distance, the dielectric itself, and the
12 dielectric constant. (See Trial Tr. Day 4, at 81:8-81:22.) Similarly, Dr. Ewell testified that one could
13 readily determine by actual physical testing whether this claim limitation was satisfied. (See, e.g.,
14 Trial Tr. Day 7, at 111:23-112:3, 114:12-114:17, 115:15-116:21, 119:23-120:12.) Moreover, as
15 already noted, the '356 patent sets forth a very detailed background section listing specific examples
16 of known capacitors and explaining the industry's knowledge of their design and application,
17 including detailed technical information, which would help one of ordinary skill in determining what
18 the disputed phrase meant. Finally, the fact that the Court was able to construe the term to mean
19 "positioned in an edge-to-edge relationship in such proximity as to form a capacity that is capable of
20 being determined in terms of a standard unit" weighs against any indefiniteness. Cf. Aero Products,
21 466 F.3d at 1016. Thus, similar to the phrase "substantially monolithic," there is really only one In re
22 Wands factor—absence of working examples—weighing in ATC's favor. See 858 F.2d at 737. However,
23 just like with that phrase, this is insufficient by itself to find lack of enablement.

24 ATC's insistence that Presidio cannot "have its cake and eat it too" by requiring specific
25 details from the prior art references and then ignoring those details when it comes to the '356 patent
26 is misplaced. As Dr. Ewell explained on cross-examination, the details were not necessary for the '356
27 patent because it *expressly claimed* that a fringe-effect capacitance was there. (See Trial Tr. Day 7,
28 at 114:3-115:14.) On the other hand, the details were necessary to confirm whether that fringe-effect

1 capacitance was also formed in the allegedly anticipating prior art because those references did *not*
2 expressly claim fringe-effect capacitance between external contacts. (See *id.*) Accordingly, the jury
3 was entitled to credit this testimony, and ATC has failed to demonstrate that the jury's decision was
4 "against the great weight of the evidence." See *Hangerter*, 373 F.3d at 1005 (citation omitted).

5 Finally, as was discussed with regard to the term "substantially," the use of the term
6 "sufficiently close" does not make the whole claim term less enabling. Just like the terms "about" or
7 "substantially," the term "sufficiently close" appears to be a descriptive term that can be used in patent
8 claims to "avoid a strict numerical boundary to the specified parameter." See *Ecolab*, 264 F.3d at
9 1367; *accord Verve*, 311 F.3d at 1120. Indeed, the use of the term may be necessary "to provide the
10 inventor with the benefit of his invention" as well as "to distinguish the claimed subject matter from
11 the prior art." See *Verve*, 311 F.3d at 1120. In the present case, there was substantial evidence
12 presented to find that the novelty of the '356 patent was precisely the fact that once the external
13 contacts are arranged "sufficiently close," a fringe-effect capacitance is formed. How "sufficiently
14 close" they should be arranged would necessarily depend on the thickness of those external contacts
15 and the type of dielectric used. (See Trial Tr. Day 4, at 81:8-81:22.) To specify any particular distance
16 between the contacts would have been mere "guesswork" and would have unnecessarily limited the
17 scope of the claimed invention. See *Verve*, 311 F.3d at 1120.

18 *iii. Conclusion*

19 Accordingly, ATC has not shown by clear and convincing evidence that the use of the phrases
20 "substantially monolithic" and "sufficiently close . . . to form a first fringe-effect capacitance" made
21 the '356 patent invalid due to lack of enablement. ATC has not shown that the jury's verdict in this
22 regard was against the great weight of the evidence.

23 *F. Written description*

24 Section 112 also requires that the patent's specification contain a "written description of the
25 invention." 35 U.S.C. § 112. This requirement is independent of the enablement requirement, and is
26 necessary "so that one skilled in the art can recognize what is claimed." *Univ. of Rochester v. G.D.*
27 *Searle & Co., Inc.*, 358 F.3d 916, 920-23 (Fed. Cir. 2004) (citations omitted). While excessive
28 description is not required, "generalized language may not suffice if it does not convey the detailed

1 identity of an invention.” Id. at 923. The purpose of the written description is to ensure that “the
2 patentee had possession of the claimed invention at the time of the application, i.e. that the patentee
3 invented what is claimed.” LizardTech, Inc. v. Earth Res. Mapping, Inc., 424 F.3d 1336, 1344-45
4 (Fed. Cir. 2005) (citations omitted); accord Ariad, 2010 WL 1007369, at *12 (“In other words, the test
5 for sufficiency is whether the disclosure of the application relied upon reasonably conveys to those
6 skilled in the art that the inventor had possession of the claimed subject matter as of the filing date.”
7 (citations omitted)).

8 As the Federal Circuit sitting *en banc* recently stated, “the hallmark of written description is
9 disclosure.” Ariad, 2010 WL 1007369, at *12. The test requires the court to look to the four corners
10 of the specification from the perspective of a person of ordinary skill in the art and inquire whether
11 the specification describes an invention understandable to that skilled artisan and shows that the
12 inventor actually invented the invention claimed. Id. This inquiry is a question of fact and will
13 necessarily vary depending on the context. Id. However, there are “a few broad principles that hold
14 true across all cases.” Id. at *13. Thus, “the written description requirement does not demand either
15 examples or an actual reduction to practice; a constructive reduction to practice that in a definite way
16 identifies the claimed invention can satisfy the written description requirement.” Id. (citation omitted).
17 Conversely, “a description that merely renders the invention obvious does not satisfy the requirement.”
18 Id. (citation omitted). Finally, the Federal Circuit cautioned that “although written description and
19 enablement often rise and fall together, requiring a written description of the invention plays a vital
20 role in curtailing claims that do not require undue experimentation to make and use, and thus satisfy
21 enablement, but that have not been invented, and thus cannot be described.” Id. at *14.

22 In the present case, there is substantial evidence to support the jury’s verdict finding no lack
23 of written description. As already noted, the ‘356 patent has a very detailed background section listing
24 specific examples of known capacitors and explaining the industry’s knowledge of their design and
25 application, including detailed technical information. The ‘356 patent also provides a very detailed
26 description of the invention, accompanied by twenty-three separate figures, that describes how the
27 conductive contacts can be extended to the exterior, how that would affect the overall insertion loss
28 and frequency performance of the capacitor, and what effect it would have on the overall capacitance.

(See ‘356 patent, col. 6:19-12:57.) The claims that follow focus on these innovations by claiming the method of extending conductive contacts to the exterior and positioning them in such proximity to each other so as to form fringe-effect capacitance. (See ‘356 patent, col. 12:58-16:32.) Thus, unlike Ariad, upon which ATC relies, the scope of the claims in the ‘356 patent does not “overreach the scope of the inventor’s contribution to the field of art as described in the patent specification.” See 2010 WL 1007369, at **15, 19 (finding lack of written description where the patent-in-suit used broad language to claim “methods comprising the single step of reducing NF-kB activity,” while the specification “at best describe[d] decoy molecule structures and hypothesize[d] with no accompanying description that they could be used to reduce NF-kB activity”).

Finally, ATC’s focus on “functional language” in the context of the written description requirement is misplaced.¹⁶ ATC asserts the Federal Circuit in Ariad held that “a vague functional description and an invitation for further research does not constitute written disclosure.” See id. at *17. However, the Ariad court in other places indicated that functional language and prophetic examples *can* in certain circumstances satisfy the written description requirement.¹⁷ See, e.g., id. at *11 (“We have also held that functional claim language can meet the written description requirement when the art has established a correlation between structure and function.” (citation omitted)); id. at *18 (“Prophetic examples are routinely used in the chemical arts, and they certainly can be sufficient to satisfy the written description requirement.”). Moreover, the statement quoted by ATC was made in a context where the only evidence supporting written description was the *ex post facto* testimony of an expert that a specific inhibitor existed during the relevant time period and “that one of ordinary skill *could through experimentation*” isolate the necessary inhibitor. See id. at *17 (emphasis added). In contrast, the detailed description section in the present case and the accompanying figures provide sufficient “correlation” between the structure and function to satisfy the written description

¹⁶ The use of “functional language” is addressed in more detail below in the context of ATC’s argument that the ‘356 patent is invalid due to indefiniteness. (See infra Part I.G.ii.)

¹⁷ In addition, to the extent ATC argues the written description requirement is not met because Presidio never reduced the ‘356 patent to practice, the Federal Circuit unequivocally rejected that argument. See Ariad, 2010 WL 1007369, at *13 (“We have made clear that the written description requirement does not demand either examples or an actual reduction to practice; a constructive reduction to practice that in a definite way identifies the claimed invention can satisfy the written description requirement.” (citation omitted)).

1 requirement. See id. at *11. Accordingly, ATC failed to show by clear and convincing evidence that
2 the jury's verdict finding no lack of written description was "against the great weight of the
3 evidence."¹⁸ See Hangarter, 373 F.3d at 1005 (citation omitted).

4 G. Indefiniteness

5 The Court previously denied ATC's motion for summary judgment of indefiniteness. [See Doc.
6 No. 32]. ATC now renews its argument, stating that the Court should find the asserted claims
7 indefinite as a matter of law. Whether the claims are indefinite is a legal issue for the court, and not
8 the jury. Biomedino, LLC v. Waters Tech. Corp., 490 F.3d 946, 949 (Fed. Cir. 2007). The definiteness
9 requirement is contained in paragraph 2 of Section 112, which requires that a patent specification
10 conclude with one or more claims "particularly pointing out and distinctly claiming the subject matter
11 which the applicant regards as his invention." 35 U.S.C. § 112, ¶ 2. A patent claim is sufficiently
12 definite "[i]f one skilled in the art would understand the bounds of the claim when read in light of the
13 specification." Exxon Research & Eng'g Co. v. United States, 265 F.3d 1371, 1375 (Fed. Cir. 2001)
14 (citation omitted). A claim need not be plain on its face to avoid condemnation for indefiniteness;
15 rather, all that is required is that the claim be "amenable to construction." Id. As the Federal Circuit
16 has reiterated:

17 If a claim is insolubly ambiguous, and no narrowing construction can properly be
18 adopted, we have held the claim indefinite. If the meaning of the claim is discernible,
19 even though the task may be formidable and the conclusion may be one over which
20 reasonable persons will disagree, we have held the claim sufficiently clear to avoid
21 invalidity on indefiniteness grounds.

22 Id. (citations omitted). "By finding claims indefinite only if reasonable efforts at claim construction
23 prove futile, we accord respect to the statutory presumption of patent validity, and we protect the
24 inventive contribution of patentees, even when the drafting of their patents has been less than ideal."
25 Id. (internal citation omitted).

26 ///

27 ¹⁸ The Court also rejects ATC's argument that it is entitled to a new trial because the Jury
28 Instructions only asked the jury to consider whether the inventors were in "possession of the
invention" without specifying that what is required for compliance with the written description is
"possession as shown in the disclosure." See Ariad, 2010 WL 1007369, at *12. As Presidio points out,
the Jury Instructions made it clear that the possession of the invention is to be judged by the
disclosures in the patent application when filed. (See Jury Instructions, at 47-48 [Doc. No. 297].)

1 *i. ATC's motion is procedurally proper.*

2 As an initial matter, the Court rejects Presidio's argument that ATC's motion is procedurally
3 improper. Presidio argues the current motion is untimely and improper because: (1) the Court
4 previously deferred judgment on the issue of indefiniteness when it adopted ATC's construction of
5 the disputed claim terms; (2) the Court subsequently denied ATC's motion for summary judgment on
6 the issue of indefiniteness; and (3) after the close of all the evidence, the Court denied ATC's Rule
7 50(a) motion on the issue of indefiniteness. However, Rule 50(b) provides that where the court does
8 not grant a motion under Rule 50(a), which was the case here, "the court is considered to have
9 submitted the action to the jury *subject to the court's later deciding the legal questions raised by the*
10 *motion.*" FED. R. CIV. P. 50(b) (emphasis added). Accordingly, ATC's current motion on the issue of
11 indefiniteness—which is a question of law—is properly before the Court.

12 *ii. ATC has not met its burden of showing by clear and convincing evidence that*
13 *the challenged claim terms are indefinite as a matter of law.*

14 ATC argues the claim terms "substantially monolithic" and "sufficiently close . . . to form a
15 first fringe-effect capacitance" are indefinite. First, ATC argues the '356 patent does not disclose a
16 workable, objective test for measuring either of those terms. Second, ATC argues the tests proposed
17 by Presidio would cause the same capacitor to be "sometimes infringing and sometimes not"
18 depending on how the capacitor is used and tested. Third, ATC argues the patent fails to differentiate
19 itself from the prior art identified in Figure 2A. Fourth, ATC argues the claim "sufficiently close . .
20 . to form a first fringe-effect capacitance" is indefinite because the patent in effect uses "functional
21 language" to define the alleged point of novelty.

22 a. "Substantially monolithic"

23 To the extent ATC's first ground of indefiniteness raises the same arguments as with respect
24 to enablement and written description, those arguments are rejected for the same reasons as set forth
25 above. Specifically, as already noted, the use of the claim term "substantially" has repeatedly been
26 held to be proper and definite. See, e.g., Kinzenbaw, 179 Fed. Appx. at 29-31 ("substantially
27 uniformly distributed" and "substantially on the center line"); Verve, 311 F.3d at 119-20
28 ("substantially constant wall thickness"); Ecolab, 264 F.3d at 1366-67 ("substantially uniform");
Andrew Corp., 847 F.2d at 821-22 ("substantially equal"). As the Federal Circuit has noted, the term

1 “substantially” is a descriptive term used in patent claims to “avoid a strict numerical boundary to the
2 specified parameter.” Ecolab, 264 F.3d at 1367 (term “substantially” used to avoid “the strict 100%
3 nonuniformity boundary”); accord Verve, 311 F.3d at 1120 (“Expressions such as ‘substantially’ are
4 used in patent documents when warranted by the nature of the invention, in order to accommodate the
5 minor variations that may be appropriate to secure the invention.”). In the present case, the term
6 “substantially” avoids the strict 100% “monolithichness” of the dielectric, which Dr. Ewell testified is
7 not possible in any case.¹⁹ (See Trial Tr. Day 4, at 130:4-131:4.)

8 ATC next argues Dr. Ewell’s “fracture test” does not cure the indefiniteness of the claim term,
9 but rather confuses it even further. “The scope of claim language cannot depend solely on the
10 unrestrained, subjective opinion of a particular individual purportedly practicing the invention.”
11 Datamize, LLC v. Plumtree Software, Inc., 417 F.3d 1342, 1350 (Fed. Cir. 2005) (citation omitted).
12 Rather, “[s]ome objective standard must be provided in order to allow the public to determine the
13 scope of the claimed invention.” Id. According to ATC, these criteria are not satisfied with respect to
14 the term “substantially monolithic” because it is not based on an objective standard, but rather depends
15 on a questionable “fracture test” pursuant to which a capacitor may infringe when used in one activity,
16 but not infringe when used in another. See Paragon Solutions, LLC v. Timex Corp., 566 F.3d 1075,
17 1090-91 (Fed. Cir. 2009); Halliburton Energy Services, Inc. v. M-I LLC, 514 F.3d 1244, 1254-55
18 (Fed. Cir. 2008) (“When a proposed construction requires that an artisan make a separate infringement
19 determination for every set of circumstances in which the composition may be used, and when such
20 determinations are likely to result in differing outcomes (sometimes infringing and sometimes not),
21 that construction is likely to be indefinite.”).

22 However, contrary to ATC’s arguments, a claim term is not indefinite just because it was
23

24 ¹⁹ ATC’s argument that none of the experts in this case have heard of the term “substantially
25 monolithic” prior to this case misses the point. Whether or not the phrase existed is not the issue;
26 rather, the question is whether “one skilled in the art would understand the bounds of the claim when
27 read in light of the specification.” See Exxon, 265 F.3d at 1375 (citation omitted). In the present case,
28 both Dr. Ewell and Dr. Huebner testified that the term was clear and understandable to persons of
ordinary skill in the art. Moreover, a claim term is not indefinite as long as the meaning of the claim
is discernible through construction, “even though the task may be formidable and the conclusion may
be one over which reasonable persons will disagree.” Id. (citations omitted). In the present case, the
Court was able to construe the term “substantially monolithic” by adopting the definition proposed
by ATC. In light of this, whether or not the term was “new” or “unheard of” is legally irrelevant.

1 “intended to cover the use of the invention with various types of [end products].” See Orthokinetics,
2 Inc. v. Safety Travel Chairs, Inc., 806 F.2d 1565, 1575-76 (Fed. Cir. 1986) (“That a particular chair
3 on which the claims read may fit within some automobiles and not others is of no moment. The phrase
4 ‘so dimensioned’ is as accurate as the subject matter permits, automobiles being of various sizes.”
5 (citation omitted)). In the present case, one skilled in the art can easily use Dr. Ewell’s objective
6 “fracture test” to determine whether any resulting capacitor is “substantially monolithic.”²⁰ See id.
7 More importantly, unlike the cases relied upon by ATC, this does not mean that the *same* capacitor
8 will be infringing in one case and not infringing in another; rather, once built, a particular capacitor
9 designed for a particular use will be either “substantially monolithic” or not. (See Trial Tr. Day 4, at
10 129:2-130:22; Trial Tr. Day 7, at 74:10-75:2.) Indeed, in light of Dr. Ewell’s testimony that 100%
11 “monolithichness” is not possible in any case, the phrase “substantially monolithic” might very well
12 be “as accurate as the subject matter permits.” See Orthokinetics, 806 F.2d at 1576 .

13 b. “Sufficiently close . . . to form a first fringe-effect capacitance”

14 Similarly, to the extent ATC’s first ground of indefiniteness raises the same arguments as with
15 respect to enablement and written description, those arguments are rejected for the same reasons as
16 set forth above. Specifically, the use of the term “sufficiently close” does not make the whole claim
17 term less definite. Just like the terms “about” or “substantially,” the term “sufficiently close” appears
18 to be a descriptive term used in patent claims to “avoid a strict numerical boundary to the specified
19 parameter.” See Ecolab, 264 F.3d at 1367; accord Verve, 311 F.3d at 1120. Moreover, there was
20 sufficient evidence presented at trial to find that the novelty of the ‘356 patent was precisely the fact
21 that once the external contacts are arranged “sufficiently close,” a fringe-effect capacitance is formed.
22 How “sufficiently close” they should be arranged would necessarily depend on the thickness of those
23 contacts and the type of dielectric used. (See Trial Tr. Day 4, at 81:8-81:22.) To specify any particular
24 distance between the contacts would have unnecessarily limited the scope of the claimed invention,

25
26 ²⁰ In this context, the Court rejects ATC’s argument that the Court cannot rely on Dr. Ewell’s
27 testimony at trial because it constitutes extrinsic evidence that contradicts the intrinsic record. See
28 Phillips v. AWH Corp., 415 F.3d 1303, 1318 (Fed. Cir. 2005) (“[A] court should discount any expert
testimony ‘that is *clearly at odds* with the claim construction mandated by the claims themselves, the
written description, and the prosecution history’” (citation omitted) (emphasis added)). In light
of the fact that the ‘356 patent does not anywhere define “substantially monolithic,” Dr. Ewell’s
testimony regarding his “fracture test” cannot be “clearly at odds” with the intrinsic record. See id.

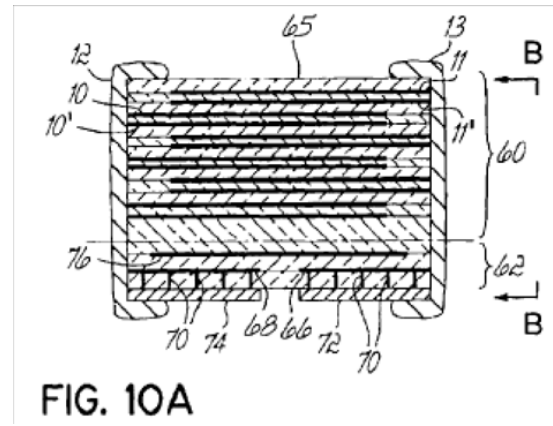
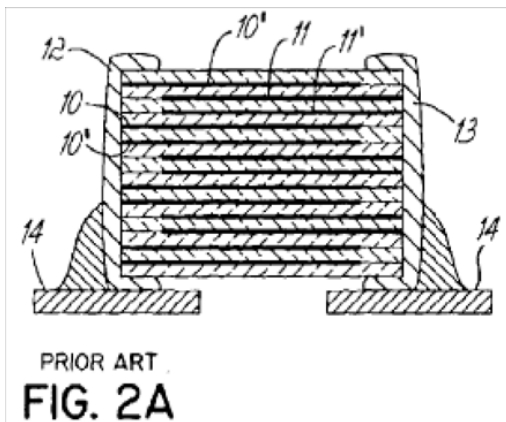
1 thereby depriving the inventors of the “benefit of [their] invention.” See Verve, 311 F.3d at 1120.

2 ATC next argues Dr. Ewell’s proposed “test” for whether a fringe-effect capacitance is
3 “determinable” compounds rather than clarifies the ambiguity. As previously noted, “[t]he scope of
4 claim language cannot depend solely on the unrestrained, subjective opinion of a particular individual
5 purportedly practicing the invention.” Datamize, 417 F.3d at 1350 (citation omitted). Rather, “[s]ome
6 objective standard must be provided in order to allow the public to determine the scope of the claimed
7 invention.” Id. In the present case, that requirement is satisfied because Dr. Ewell testified that one
8 of ordinary skill in the art can use a capacitance meter—an objective test—to measure whether
9 “determinable” fringe-effect capacitance is present between a particular set of external contacts.²¹
10 (See, e.g., Trial Tr. Day 7, at 111:23-112:3, 114:12-114:17, 115:15-116:21, 119:23-120:12.) Likewise,
11 Dr. Huebner testified that to determine whether the contacts were “sufficiently close” to form a
12 determinable fringe-effect capacitance, a person of ordinary skill in the art could analyze the thickness
13 of the external contacts, the separation distance, the dielectric itself, and the dielectric constant—all of
14 which are objective details. (See Trial Tr. Day 4, at 81:8-81:22.) ATC’s own expert, Dr. Dougherty,
15 confirmed the propriety of both of these methods. (See, e.g., Trial Tr. Day 5, at 144:17-146:17.)

16 ATC has also failed to show by clear and convincing evidence that the ‘356 patent fails to
17 differentiate itself from the prior art identified in Figure 2A. “[W]hether the patent expressly or at least
18 clearly differentiates itself from specific prior art . . . is an important consideration in the definiteness
19 inquiry because in attempting to define a claim term, a person of ordinary skill is likely to conclude
20 that the definition does not encompass that which is expressly distinguished as prior art.” Halliburton,
21 514 F.3d at 1252. In the present case, the ‘356 patent adequately differentiates what is claimed from
22 the prior art depicted in Figure 2A. For example, in describing Figure 10A, which depicts an
23 embodiment of the claimed capacitor, the ‘356 patent notes that as compared to the capacitor in Figure
24 2A, “the external conductive plates **72** and **74** in the lower section **62** of the device have been extended
25 toward each other so as to create a capacitance between plates **72** and **74** based upon fringe electric

26
27 ²¹ ATC argues Dr. Ewell’s test is indefinite because the same fringe-effect capacitance would
28 be sometimes infringing and sometimes not depending on the “sensitivity” of the capacitance meter
used to measure it. See Halliburton, 514 F.3d at 1254-55. However, the mere fact that one
capacitance meter might be more or less sensitive than the other does not make this a situation where
the *same capacitor* will be infringing in one case and not infringing in another.

field extending to and from the adjacent edges of those plates.” (‘356 patent, col. 7:22-7:26.) In contrast, there is no discussion of any fringe-effect capacitance, much less capacitance that is “determinable,” with respect to prior art depicted in Figure 2A. (See *id.*, col. 2:17-2:44.) Likewise, with respect to Figure 2A, there is no discussion of any “external contacts” that are “sufficiently close” to each other. (See *id.*) Accordingly, the ‘356 patent sufficiently differentiates the prior art depicted in Figure 2A from what is claimed in the asserted claim 1.



Finally, ATC’s “functional language” argument fares no better. Particular scrutiny is required where a claim is defined “by what it does rather than what it is.” *Halliburton*, 514 F.3d at 1255. The vice of such “functional claiming” occurs “when the inventor is painstaking when he recites what has already been seen, and then uses conveniently functional language at the exact point of novelty.” *Id.* (quoting *Gen. Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 371 (1938)). The Federal Circuit, however, has held that claim language is not necessarily indefinite for using functional language. See, e.g., *Microprocessor Enhancement Corp. v. Texas Instruments Inc.*, 520 F.3d 1367, 1375 (Fed. Cir. 2008). There is nothing intrinsically wrong with using functional language in claims, unless it fails to “provide a clear-cut indication of the scope of the subject matter embraced by the claim.” *Id.* (internal quotation marks and citation omitted). In the present case, the ‘356 patent differentiates its invention from the prior art by requiring that there be external contacts that are located in such proximity to each other as to form a fringe-effect capacitance. In light of Dr. Ewell’s testimony, this provides sufficient description of the scope of the asserted claims. See *Halliburton*, 514 F.3d at 1256.

1 iii. *Conclusion*

2 Accordingly, ATC has failed to show by clear and convincing evidence that the phrases
3 “substantially monolithic” and “sufficiently close . . . to form a first fringe-effect capacitance” are
4 indefinite as a matter of law.

5 H. Inequitable conduct

6 Finally, ATC argues the ‘356 patent is unenforceable due to inequitable conduct. “‘A patent
7 may be rendered unenforceable for inequitable conduct if an applicant, with intent to mislead or
8 deceive the examiner, fails to disclose material information or submits materially false information
9 to the PTO during prosecution.’” McKesson Info. Solutions, Inc. v. Bridge Med., Inc., 487 F.3d 897,
10 913 (Fed. Cir. 2007) (citation omitted); see also 37 C.F.R. § 1.56(a) (“Each individual associated with
11 the filing and prosecution of a patent application has a duty of candor and good faith in dealing with
12 the Office, which includes a duty to disclose to the Office all information known to that individual to
13 be material to patentability as defined in this section.”).

14 The “materiality” of information withheld during prosecution is judged by the “reasonable
15 examiner” standard, which embraces “‘any information that a reasonable examiner would substantially
16 likely consider important in deciding whether to allow an application to issue as a patent.’” McKesson,
17 487 F.3d at 913 (citations omitted). Information concealed from the PTO may be material “even
18 though it would not invalidate the patent.” Id. (citation omitted). It is well-established, however, that
19 information or a reference is not material if it is merely cumulative to other information or references
20 considered by the examiner. See id.

21 As for the “intent” element of the offense, it is “‘in the main proven by inferences drawn from
22 facts, with the collection of inferences permitting a confident judgment that deceit has occurred.’” Id.
23 (citation omitted). “‘However, inequitable conduct requires not intent to withhold, but rather intent
24 to deceive. Intent to deceive cannot be inferred simply from the decision to withhold information
25 where the reasons given for the withholding are plausible.’” Id. (citation omitted). “In addition, ‘a
26 finding that particular conduct amounts to “gross negligence” does not of itself justify an inference
27 of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence
28 indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.’”

1 Id. (citing Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867, 876 (Fed. Cir.1988) (en
2 banc in relevant part)). “Whenever evidence proffered to show either materiality or intent is
3 susceptible of multiple reasonable inferences, a district court clearly errs in overlooking one inference
4 in favor of another equally reasonable inference.” Scanner Tech. Corp. v. ICOS Vision Sys. Corp., 528
5 F.3d 1365, 1376 (Fed. Cir. 2008).

6 Determination of inequitable conduct is a two-step process. The party asserting inequitable
7 conduct must first prove a threshold level of “materiality” and “intent” by clear and convincing
8 evidence. McKesson, 487 F.3d at 913. The court must then balance the levels of “materiality” and
9 “intent”—with the greater showing of one factor allowing a lesser showing of the other—to determine
10 whether the applicant’s conduct before the PTO was “egregious enough to warrant holding the entire
11 patent unenforceable.” Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357, 1365 (Fed.
12 Cir. 2008); McKesson, 487 F.3d at 913. “Thus, even if a threshold level of both materiality and intent
13 to deceive are proven by clear and convincing evidence, the court may still decline to render the patent
14 unenforceable.” Star Scientific, 537 F.3d at 1365.

15 *i. Alleged “point of novelty”*

16 The Court first addresses ATC’s continued insistence that the “point of novelty” of the ‘356
17 patent was the “fringe-effect capacitance” between the capacitor contacts. Contrary to ATC’s
18 arguments, in allowing the asserted claim 1, the patent examiner stated:

19 The prior art does not teach or fairly suggest (taken in combination with the other
20 claimed features) a capacitor comprising a conductive second contact disposed
21 externally on the dielectric body and electrically connected to the second plate, and the
second contact being located sufficiently close to the first contact to form a first fringe-
effect capacitance with the first contact

22 (See Pl. Opp. to Def. Findings & Conclusions on Inequitable Conduct, Ex. C.) The plain meaning of
23 the above sentence is that the patent examiner considered the *combination* of all of the limitations of
24 claim 1 to be the point of novelty, not just the “fringe-effect capacitance.” Moreover, as Section
25 1302.14 of the USPTO’s Manual of Patent Examining Procedures submitted by ATC provides, “[t]he
26 statement [of allowance] is not intended to necessarily state all the reasons for allowance or all the
27 details why claims are allowed and should not be written so specifically or impliedly state that all the
28 reasons for allowance are set forth.” (Def. Reply, Ex. 2 [Doc. No. 331-2].) Indeed, it would have been

1 improper for the examiner to unilaterally limit claim 1 to just “fringe-effect capacitance.” See id.
2 (“Where specific reasons are recorded by the examiner, care must be taken to ensure that statements
3 of reasons for allowance (or indication of allowable subject matter) are accurate, precise, and do not
4 place unwarranted interpretations, whether broad or narrow, upon the claims.”).

5 Accordingly, the Court rejects ATC’s erroneous interpretation of the examiner’s reasons for
6 allowance of claim 1 as well as ATC’s arguments that rely upon that interpretation.²²

7 *ii. The Devoe ‘430 patent*

8 The first reference relied upon by ATC in support of its inequitable conduct charge is the
9 Devoe patent, U.S. patent number 5,367,430 (“Devoe ‘430 patent”). The Devoe ‘430 patent is titled
10 “Monolithic Multiple Capacitor,” and describes that “it is impossible to eliminate all stray capacitance
11 between pairs of electrical conductors in a monolithic ceramic capacitor” and that “[i]t is a further
12 object of the present invention to provide a monolithic multiple capacitor in which stray capacitance
13 between pairs of terminals is used to form useful circuit elements.”²³ (See Def. Findings &
14 Conclusions on Inequitable Conduct, Ex. ABS, col. 2:68-3:2, 3:30-3:33 [Doc. No. 312-4].)

15 In granting the reexamination of the ‘356 patent, the USPTO noted that “a reasonable
16 Examiner would consider [the Devoe ‘430 patent] important in making a decision as to the
17 patentability of claim 1 of the ‘356 patent.”²⁴ (Id., Ex. AKI_0022.) This preliminary determination by
18 the USPTO, while not relevant to the issue of patent validity, is surely probative of *materiality*. See

19 ²² Indeed, in its recent grant of reexamination, the USPTO identified the following as the point
20 of novelty of the ‘356 patent: “a capacitor comprising a conductive second contact disposed externally
21 on the dielectric body and electrically connected to the second plate, and the second contact being
22 located sufficiently close to the first contact to form a first fringe-effect capacitance with the first
23 contact.” (See Def. Findings & Conclusions on Inequitable Conduct, Ex. AKI_0008.)

24 ²³ According to ATC, “stray capacitance” is another term for “fringe-effect capacitance.”

25 ²⁴ Presidio challenges ATC’s reliance on the reexamination proceedings and on Exhibit AKI,
26 which is the USPTO’s Decision Granting Ex Parte Reexamination, arguing that doing so contradicts
27 the Court’s prior exclusion of that evidence at the motions *in limine* stage. However, contrary to
28 Presidio’s argument, the Court only precluded the use of the reexamination proceedings before the
jury, concluding that even if relevant, the grant of reexamination would likely confuse the jury. (See
Order on Pl. MIL: Reexamination of the ‘356 Patent, at 3 [Doc. No. 252].) Moreover, the question at
this stage is not whether a prior reference is relevant to patentability or validity, which were the issues
addressed in the Court’s ruling on Presidio’s motion *in limine*, but rather whether “a reasonable
examiner would substantially likely consider [it] important in deciding whether to allow an application
to issue as a patent.” See McKesson, 487 F.3d at 913 (citations omitted). Accordingly, the Court
rejects Presidio’s objections on this ground.

1 McKesson, 487 F.3d at 913 (“[I]nformation concealed from the PTO may be material even though
2 it would not invalidate the patent.” (citation omitted)). Indeed, as ATC correctly points out, the
3 standard used by the examiner in granting the reexamination (“a reasonable Examiner would consider
4 [the patent] important in making a decision as to the patentability”) is almost identical to the standard
5 for materiality (“information that a reasonable examiner would substantially likely consider important
6 in deciding whether to allow an application to issue as a patent”). Accordingly, there is a substantial
7 likelihood that a reasonable examiner would have considered the Devoe ‘430 patent material to the
8 application. See McKesson, 487 F.3d at 913.

9 Nonetheless, ATC did not meet its burden of showing intent to deceive by clear and
10 convincing evidence. First, ATC argues that necessary intent can be drawn from the materiality of the
11 ‘430 patent combined with the fact that Alan Devoe allegedly thought in June 2001 that the capacitors
12 made for JDSU were covered by the ‘430 patent. (See Def. Findings & Conclusions on Inequitable
13 Conduct, Ex. PM.) However, “the fact that information later found material was not disclosed cannot,
14 by itself, satisfy the deceptive intent element of inequitable conduct.” Star Scientific, 537 F.3d at 1366
15 (citation omitted). Rather, ATC had the burden of separately demonstrating intent to deceive during
16 the relevant time. See id. Moreover, the fact that information was known years ago does not mean that
17 it was necessarily recognized as being material at the time the application was filed. In the present
18 case, the fact that the Devoes were allegedly “concerned” about the ‘430 patent in June 2001 but then
19 forgot to cite it during the patent application process in 2002, without more, amounts at most to “gross
20 negligence” on their part, which is insufficient by itself to support intent to deceive.²⁵ See Kingsdown,
21 863 F.2d at 876 (en banc in relevant part).

22 More importantly, the Devoes testified at trial that they believed the ‘430 patent was not
23 relevant to the asserted claims of the ‘356 patent. For example, Daniel Devoe testified that the ‘430
24 patent was a “totally different kind of animal” because it dealt with a hearing-aid circuit device
25 intended to operate at a range of a few cycles to 10,000 cycles, while the ‘356 patent was aimed at the

26 ²⁵ ATC’s continued reference to the words “conflict - existing patent” in Daniel Devoe’s
27 notebook is not persuasive. (See Def. Findings & Conclusions on Inequitable Conduct, Ex. UL.) There
28 is nothing on the page where those words appear to indicate whether this refers to a perceived conflict
with any of the patents relied upon by ATC in its inequitable conduct charge, or whether it refers to
the ‘356 patent at all. (See, e.g., Trial Tr. Day 2, at 23:5-24:4, 29:1-30:3, 34:15-34:19.)

1 much higher range of up to 40 billion cycles. (See, e.g., Trial Tr. Day 2, at 29:13-29:23; 55:24-56:10,
2 56:24-57:8, 57:20-57:24.) Likewise, Alan Devoe testified that by the time the patent application was
3 finally drafted, the Devoes did not believe the '430 patent was relevant. (See, e.g., Trial Tr. Day 3, at
4 176:15-177:1.) While the inference of intent to deceive may properly be drawn from indirect and
5 circumstantial evidence, it "must not only be based on sufficient evidence and be reasonable in light
6 of that evidence, but it must also be the *single most reasonable inference* able to be drawn from the
7 evidence to meet the clear and convincing standard." Star Scientific, 537 F.3d at 1366 (citation
8 omitted) (emphasis added). In the present case, the above testimony by the Devoes prevents the Court
9 from concluding that the only inference that can be drawn is that there must have been an intent to
10 deceive the USPTO when the patent applications were filed. The Court cannot say with confidence
11 that ATC has proven by clear and convincing evidence that culpable intent existed at *that time*.²⁶ See
12 McKesson, 487 F.3d at 913 ("The intent element of the offense is ... in the main proven by inferences
13 drawn from facts, with the collection of inferences permitting a confident judgment that deceit has
14 occurred." (citation omitted)); see also Scanner Tech., 528 F.3d at 1376 ("Whenever evidence
15 proffered to show either materiality or intent is susceptible of multiple reasonable inferences, a district
16 court clearly errs in overlooking one inference in favor of another equally reasonable inference.").

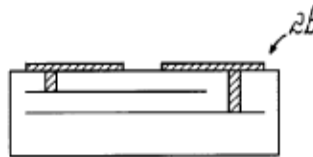
17 *iii. The Devoe '443 patent*

18 The next reference relied upon by ATC is the Devoe patent, U.S. patent number 6,366,443
19 ("Devoe '443 patent"). The Devoe '443 patent deals with a "ceramic chip capacitor of conventional
20 volume and external form having increased capacitance from use of closely-spaced interior conductive
21 planes reliably connecting to positionally-tolerant exterior pads through multiple redundant vias." (See
22 Def. Findings & Conclusions on Inequitable Conduct, Ex. ABT.) Among other things, the Devoe '443
23 patent discloses the aforementioned $C=kA/d$ formula for measuring capacitance between parallel
24

25 ²⁶ ATC relies on Elk Corp. of Dallas v. GAF Bldg. Materials Corp., 168 F.2d 28, 32 (Fed. Cir.
26 1999), where the Federal Circuit affirmed the district court's conclusion that intent to deceive existed
27 where the patentee ran a patentability search, discovered a patent that was "of special interest," but
28 never disclosed that patent to the USPTO. That case is inapposite because there the patentee
specifically ran the patentability search *with the patent application in mind*. In the present case,
however, the reference to the '430 patent occurred a year before the '327 patent application was filed
and referred only to the capacitors sold to JDSU, which Presidio contends are different from the
invention claimed in the '356 patent and which the jury found did not anticipate the '356 patent.

1 plates.²⁷ (See *id.*, col. 4:48-4:53.)

2 ATC's sole argument that the Devoe '443 patent was material is that it discloses "fringe-effect
3 capacitance," which is the alleged "point of novelty" of the '356 patent. However, as noted above, the
4 Court rejects ATC's insistence that the "fringe-effect capacitance" *by itself* is the point of novelty.
5 (See *supra* Part I.H.i.) Nonetheless, even if not a "point of novelty," a prior reference with a potential
6 fringe-effect capacitance would likely be material to a reasonable examiner. See, e.g., *Hoffmann-La*
7 *Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1367 (Fed. Cir. 2003) (finding material patentee's
8 failure to disclose purity results, even though purity was not a claim limitation). In the present case,
9 there was sufficient testimony presented to demonstrate that there might be fringe-effect capacitance
10 between the external electrical connections in Figure 2b of the '443 patent. (See, e.g., Trial Tr. Day
11 2, at 33:1-33:12; Trial Tr. Day 5, at 186:8-188:5.) Accordingly, there is a substantial likelihood that
12 a reasonable examiner would have considered the Devoe '443 patent material to the application. See
13 *McKesson*, 487 F.3d at 913. However, because this does not relate to any "point of novelty," and
14 because it does not invalidate the '356 patent, there is at most only a medium level of materiality.



15
16
17
18
19 **Fig. 2b**

20 Moreover, there was likely knowledge, at least on behalf of Daniel Devoe, that the '443 patent
21 was relevant so as to give rise to an inference of intent. There was inconsistent testimony at trial
22 regarding potential relevance of the '443 patent. On the one hand, Alan Devoe testified that the Devoe
23 '443 patent was not relevant because it was not intended for "broadband" use, the resulting capacitors
24 were "not surface mountable," and the external vias were merely used for beneficial purposes without
25 really recognizing the "novelty of the invention" that would later crystalize. (See Trial Tr. Day 3, at
26 178:6-178:21.) Likewise, Daniel Devoe testified that the Devoe '443 patent was "a different kind of
27 animal" because although it also uses a high-frequency capacitor, "it is disconnected from the

28

²⁷ The $C=kA/d$ formula does not appear in the '356 patent.

1 broadband part that we're arguing about." (See Trial Tr. Day 2, at 60:6-60:15.) On the other hand,
2 Daniel Devoe also testified that the structure of Figure 2b above resembles the structure claimed in
3 the '356 patent. (See id. at 32:4-33:12.) Indeed, Daniel Devoe testified that the '443 patent discloses
4 how to arrange "two connections on the top" and then bring them "close together" to achieve a "better
5 frequency performance." (See id. 61:17-62:3.) At the very least, this presents a close case where
6 Daniel Devoe recognized that the structure of the '443 patent was similar to what is claimed in the
7 '356 patent, and yet decided not to disclose it because he believed it not to be relevant. If that is the
8 case, he had the duty to disclose it to the examiner, and let the examiner determine whether or not the
9 reference was material. See Critikon, Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253,
10 1257 (Fed. Cir. 1997) ("It is axiomatic that 'close cases should be resolved by disclosure, not
11 unilaterally by applicant.'" (citation omitted)). Accordingly, ATC has shown the threshold level of
12 intent. However, in light of the conflicting testimonies as to the relevance the Devoes attached to the
13 '443 patent, there is at most only a low level of intent.

14 *iv. The Trinh '854 patent*

15 The next reference put forth by ATC is the Trinh '854 patent, which is titled "Fringe-Field
16 Non-Overlapping-Electrodes Discoidal Feed-Through Ceramic Filter Capacitor with High Breakdown
17 Voltage." (See Def. Findings & Conclusions on Inequitable Conduct, Ex. AAG.) The Trinh '854
18 patent teaches that "[f]ringe-effect capacitance is always present" between exterior metal terminations
19 of opposite polarity. (Id., col. 9:49-9:52.) It also teaches that when the voltage is small, that fringe-
20 effect capacitance is "negligible" in comparison to the overall capacitance, and is "disregarded." (Id.,
21 col. 9:52-9:56.) On the other hand, in a high voltage multi-layer ceramic capacitor, the '854 patent
22 teaches that "the fringe capacitance commences to be a sizable, measurable, portion of the total
23 capacitance." (Id., col. 9:56-9:59.)

24 As with the Devoe '430 patent, the USPTO's grant of reexamination noted that "a reasonable
25 Examiner would consider [the Trinh '854 patent] important in making a decision as to the patentability
26 of claim 1 of the '356 patent." (Def. Findings & Conclusions on Inequitable Conduct, Ex. AKI_0015.)
27 Accordingly, even though it might not be relevant to patent validity, this demonstrates the Trinh '854
28 patent would likely be material to a reasonable examiner. See McKesson, 487 F.3d at 913.

1 Nonetheless, ATC cannot show the threshold level of intent by clear and convincing evidence.
2 First, as already noted, there is very little basis to ATC's argument that the words "conflict - existing
3 patent" found in Daniel Devoe's notebook referred to any conflict due to the Trinh '854 patent, or
4 were even related to the '356 patent application. (See, e.g., Trial Tr. Day 2, at 23:5-24:4, 29:1-30:3,
5 34:15-34:19.) Moreover, the mere fact that there is fringe-effect capacitance disclosed between
6 *internal* plates in the '854 patent does not mean it was or should have been recognized as material to
7 what is claimed in the '356 patent. On the contrary, the Devoes and their patent attorney testified that
8 they believed the '854 patent not to be relevant to the '356 application, in part because it was designed
9 to deal with reliability of voltage breakdown and because it would not make sense to use that invention
10 with the high frequencies at which the BB capacitor and the 545L capacitor operate. (See, e.g., id. at
11 51:5-53:3; Trial Tr. Day 3, at 70:12-70:18.) In light of this testimony, the Court cannot conclude that
12 the only inference that can be drawn is that there must have been an intent to deceive the USPTO
13 when the patent applications were filed. See Star Scientific, 537 F.3d at 1366. Accordingly, the Court
14 cannot say with confidence that ATC has proven by clear and convincing evidence that culpable intent
15 existed at the relevant time. See McKesson, 487 F.3d at 913.

16 v. *The Seaman '884 patent*

17 The last patent relied upon by ATC is the Seaman patent, U.S. patent number 4,661,884
18 ("Seaman '884 patent"). The Seaman '884 patent was filed by Harry V. Seaman of ATC on March
19 10, 1986, and is titled "Miniature, Multiple Layer, Side Mounting High Frequency Blocking
20 Capacitor." (See Def. Findings & Conclusions on Inequitable Conduct, Ex. ABU.) The '884 patent
21 was one of the patents cited by the Devoes in their '430 patent. Notably, the Devoe '430 patent
22 acknowledged that the '884 patent "teaches a single capacitor in which external conductive terminals
23 are brought out to be soldered to a circuit board." (Id., Ex. ABS, col. 1:66-2:1.)

24 Although it is a close question, the Court believes the Seaman '884 patent would have been
25 material to a reasonable examiner. While it is unclear whether the '884 patent discloses fringe-effect
26 capacitance as claimed in the '356 patent, the Devoes' own patent (the '430 patent) acknowledges that
27 the '884 patent teaches about bringing out conductive terminals to the outside of the capacitor, which
28 is an integral part of the '356 patent's claim limitations. Accordingly, there is a substantial likelihood

1 that a reasonable examiner would have considered the Seaman '884 patent material to the application.
2 See Hoffmann-La Roche, 323 F.3d at 1367 (finding material patentee's failure to disclose purity
3 results, even though purity was not a claim limitation).

4 Nonetheless, ATC has not shown the necessary level of intent by clear and convincing
5 evidence. ATC argues there was intent to deceive because the '884 patent was cited in the '430 patent,
6 the Devoes were apparently "concerned" about it, and Daniel Devoe admitted the '884 patent discloses
7 fringe-effect capacitance between the contacts. However, as Daniel Devoe testified, the reason the
8 '884 patent was cited in the '430 patent and the reason the Devoes were "concerned" with it was the
9 little groove in the '884 patent that was somewhat similar to the grooves being cut in the '430 patent.
10 (See Trial Tr. Day 2, at 58:4-58:25.) None of that is applicable to the '356 patent. Likewise, it is
11 unclear whether the '884 patent discloses fringe-effect capacitance as claimed in the '356 patent. (See
12 id. at 59:11-59:22.) Accordingly, the Court cannot say with confidence that ATC has proven by clear
13 and convincing evidence that there was intent to deceive. See McKesson, 487 F.3d at 913.

14 vi. *August 2000 capacitors*

15 ATC also argues the Devoes should have disclosed the sale of the August 2000 capacitors to
16 the USPTO. First, ATC argues that the August 2000 capacitors were material because they anticipate
17 most of the asserted claims as determined by Dr. Dougherty. However, even without deference to the
18 jury's verdict on this issue, it is unclear whether the August 2000 capacitors anticipate the '356 patent.
19 (See, e.g., Trial Tr. Day 6, at 42:3-45:11; Trial Tr. Day 7, at 87:7-88:23.) Moreover, there was
20 testimony that the August 2000 capacitors were merely "generic" capacitors that Presidio makes in
21 large quantities for a number of customers. (See Trial Tr. Day 2, at 63:10-63:18, 64:10-65:2.) In
22 addition, there was testimony that the August 2000 capacitors *were* disclosed to the USPTO through
23 prior art and figures identified as prior art, in particular Figure 2A. (See id. at 64:18-64:22; Trial Tr.
24 Day 7, at 151:10-152:22, 156:25-157:1.) It is well-established that information or a reference is not
25 material if it is merely cumulative to other information or references considered by the examiner.
26 McKesson, 487 F.3d at 913. Accordingly, there is no substantial likelihood that a reasonable examiner
27 would have considered the sale of the August 2000 capacitors material to the application. See id.

28 ///

vii. *The inventorship dispute*

ATC next argues that there was inequitable conduct due to Presidio's failure to disclose the existence of an inventorship dispute with regard to Chuck Rosier. Misinformation about inventorship can be the basis for a claim of inequitable conduct. See, e.g., PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc., 225 F.3d 1315, 1321-22 (Fed. Cir. 2000) (finding material patentee's "intentional 'misrepresentations, omissions and half-truths to the PTO,' made as a 'persistent course' of conduct" regarding inventorship). In the present case, however, the jury has rejected any improper inventorship claim, and the Court has already denied ATC's motion for JMOL on that issue. (See Verdict Form, at 4; see also supra Part I.C.ii.) Moreover, as previously noted, there was extensive testimony by Alan Devoe that raised doubts as to whether Charles Rosier invented anything related to the '356 patent. (See, e.g., Trial Tr. Day 3, at 182:9-185:22; Trial Tr. Day 4, at 3:21-9:1, 15:18-20:19, 25:20-26:5; 32:20-33:3.) Accordingly, it is very unlikely that a reasonable examiner would have considered this issue material to the application. See McKesson, 487 F.3d at 913.

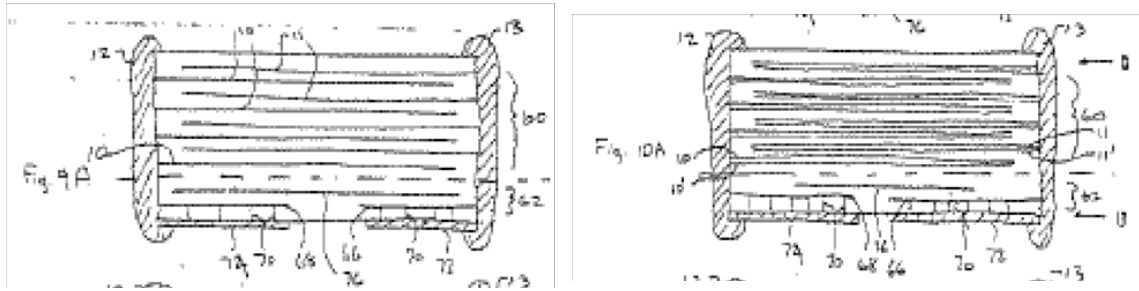
Furthermore, even if material, ATC cannot show by clear and convincing evidence the threshold level of intent. Relying on piecemeal portions of the exhibits, ATC argues the Devoes knew of the potential inventorship dispute and therefore should have disclosed it. (See Def. Findings & Conclusions on Inequitable Conduct, Exs. PI, PL, UK, UL.) However, the most that can be concluded from these exhibits is that *at one point* there was talk between the parties about a joint cooperation or ownership agreement, but it was then rejected by Presidio as being unfair. (See, e.g., Trial Tr. Day 4, at 3:21-9:1, 25:20-30:5.) Accordingly, because ATC has failed to show by clear and convincing evidence that the Devoes believed there was any inventorship dispute at the time the patent application was filed, the Court finds there was no intent to deceive. See McKesson, 487 F.3d at 913.

viii. *Alleged misrepresentations in the specifications*

Finally, ATC argues inequitable conduct charge is supported by the misrepresentations in the specifications of the '356 patent. Use of past tense or prophetic examples to describe an experiment, when that experiment was never actually performed as described, may be a misrepresentation actionable as inequitable conduct. See, e.g., Hoffman-La Roche, 323 F.3d at 1363-66 (upholding a finding of inequitable conduct where "Example VI [was] written in the past tense" and "[f]rom the

1 language used, a reader of the patent would conclude that the protocol was performed and that the
2 [described] results were actually achieved”). In the present case, ATC first argues the use of phrases
3 such as “have been extended” and “have been found” with respect to Figures 10A and 15A of the ‘356
4 patent suggests that the described steps were actually undertaken and that the described results were
5 actually obtained. According to ATC, this is misleading because Presidio has conceded that it “has
6 not previously designed or manufactured capacitors in accordance with [those figures].” (See Def.
7 Findings & Conclusions on Inequitable Conduct, Ex. ABU.) ATC also argues the failure to disclose
8 the presence of fringe-effect capacitance in Figure 2A amounted to a material misrepresentation.

9 The Court finds that the misrepresentations, if any, in the specifications of the ‘356 patent
10 would not have been considered material by a reasonable examiner. With respect to the past tense
11 language used, the instances in this case are significantly different from the charged conduct in
12 Hoffman on which ATC relies. In Hoffman, each step of the disputed Example VI, over more than two
13 columns of the patent, was described in the same fashion, using the past tense. 323 F.3d at 1363-64.
14 Indeed, the past tense was used to describe the steps of Example VI on more than 75 occasions, and
15 the patent provided specific numeric measurements used and results obtained, even though it was later
16 admitted that Example VI was never performed as described. Id. In contrast, the ‘356 patent merely
17 states that in Figure 10A, as opposed to Figure 9A, “the external conductive plates **72** and **74** in the
18 lower section **62** of the device *have been extended* toward each other so as to create a capacitance
19 between plates **72** and **74** based upon fringe electric field extending to and from the adjacent edges
20 of those plates.” (‘356 patent, col. 7:21-7:26 (italics added).) As Mr. Humphrey testified, a comparison
21 of Figures 9A and 10A from the original application confirms that this is indeed the case—i.e., the
22 conductive plates *in the drawing* “have been extended” from where they were in Figure 9A to where
23 they appear in Figure 10A. (See Trial Tr. Day 3, at 92:1-94:15, 95:2-96:21; see also Pl. Opp. to Def.
24 Findings & Conclusions on Inequitable Conduct, Ex. E.)



Similarly, it is very unlikely that a reasonable examiner would have considered the use of past tense in the following sentence, which describes Figure 15A, material: “While the fringe effect capacitances **127**, **129** may be relatively small compared to other overlapping parallel plate capacitances **75** within the capacitor **120**, the fringe effect capacitances **127**, **129** *have been found* to effect the high frequency performance of the capacitor **120**.” (See ‘356 patent, col. 10:3-10:8 (italics added).) Presidio argues that in this context, the phrase “have been found” refers more to a technical theory of operation of the capacitor shown, rather than to any alleged experiments. This is a reasonable inference that the Court is entitled to credit. See *Star Scientific*, 537 F.3d at 1366; *Scanner Tech.*, 528 F.3d at 1376. Accordingly, the Court cannot say with confidence that ATC has proven by clear and convincing evidence that these phrases would have been considered material by a reasonable examiner.²⁸ See *McKesson*, 487 F.3d at 913.

Finally, even if these alleged misrepresentations were material, there has been no showing of intent to deceive the USPTO. Contrary to *Hoffman*, 323 F.3d at 1363-64, on which ATC relies, this is not the case where the patent describes extensive experiments with specific details that were never conducted as described. Likewise, there was no consistent effort by the Devoes to “hide the ball” as was the case in *Semiconductor Energy*, also relied upon by ATC. See *Semiconductor Energy Lab. Co. v. Samsung Elec. Co.*, 204 F.3d 1368, 1373, 1377-78 (Fed. Cir. 2000) (upholding a finding of inequitable conduct where the patentee provided a misleadingly incomplete, partial translation of one of the references and a narrow and incomplete concise statement). Rather, as Mr. Humphrey testified,

²⁸ For the reasons discussed previously, the Court also rejects ATC’s argument that failure to indicate that there is fringe-effect capacitance in Figure 2A amounted to a misrepresentation.

the past tense was used solely to denote what was done to the drawings and to indicate where fringe-effect capacitance would technically be present. Accordingly, ATC has failed to demonstrate by clear and convincing evidence any intent to deceive. See McKesson, 487 F.3d at 913.

ix. Conclusion

Having considered the materiality and intent associated with each one of the grounds relied upon by ATC, the Court must next determine whether the ‘356 patent as a whole should be declared unenforceable. As previously stated, with respect to each asserted ground, ATC must first prove a threshold level of “materiality” and “intent” by clear and convincing evidence. See McKesson, 487 F.3d at 913. In the present case, only with respect to the Devoe ‘443 patent are both factors satisfied. Accordingly, the Court must next balance the levels of “materiality” and “intent”—with the greater showing of one factor allowing a lesser showing of the other—to determine whether the failure to disclose the ‘443 patent was “egregious enough to warrant holding the entire patent unenforceable.” See Star Scientific, 537 F.3d at 1365; McKesson, 487 F.3d at 913.

In the present case, the Court concludes that on balance the equities do not make the Devoes’ conduct before the USPTO “egregious enough to warrant holding the entire patent unenforceable.” See Star Scientific, 537 F.3d at 1365 (citation omitted). There is only a medium level of materiality based on the alleged similarity between Figure 2b in the ‘443 patent and the asserted claims of the ‘356 patent. There is also only a low level of intent because both the Devoes and their patent counsel testified that they believed the ‘443 patent not to be relevant to the invention claimed in the ‘356 patent, even if some of them recognized the similarities in the structure. (See, e.g., Trial Tr. Day 2, at 60:6-60:15; Trial Tr. Day 3, at 91:1-91:19, 178:6-178:21.) Accordingly, even though threshold levels of both materiality and intent have been shown, the Court exercises its discretion in **DENYING** ATC’s motion to hold the ‘356 patent unenforceable due to inequitable conduct. See Star Scientific, 537 F.3d at 1365 (“Thus, even if a threshold level of both materiality and intent to deceive are proven by clear and convincing evidence, the court may still decline to render the patent unenforceable.”).

II. Infringement

A. Sufficiency of the evidence supporting the jury’s verdict of infringement

ATC also moves for a JMOL on the issue of infringement. Because the Court previously

1 granted ATC summary judgment on the issue of infringement under the doctrine of equivalents and
2 on induced and contributory infringement, (see MSJ Order, at 17-18 [Doc. No. 165]), the only issue
3 submitted to the jury was that of literal infringement. Literal infringement first requires the court to
4 interpret the claims to determine their scope and meaning. Dynacore Holdings Corp. v. U.S. Philips
5 Corp., 363 F.3d 1263, 1273 (Fed. Cir. 2004). The court must then compare the properly construed
6 claims to the allegedly infringing device. Id. The patentee must prove that the accused device contains
7 each limitation of the asserted claims. Bayer AG v. Elan Pharm. Research Corp., 212 F.3d 1241, 1247
8 (Fed. Cir. 2000). “If any claim limitation is absent from the accused device, there is no literal
9 infringement as a matter of law.” Id. (citation omitted).

10 First, ATC argues there was no sufficient evidence to demonstrate that the 545L capacitor had
11 a “substantially monolithic dielectric body” as required by the ‘356 patent, which the Court defined
12 as “a dielectric body largely but not wholly without seams from the inclusion of plates within the
13 dielectric body.” ATC argues that Dr. Huebner allegedly admitted “there are no seams” in the 545L
14 capacitor. (See Trial Tr. Day 4, at 112:24-113:14.) However, taking Dr. Huebner’s testimony as a
15 whole, he was only indicating that the word “seams” is not used by persons skilled in the art and that
16 the word “substantially” is necessary only because no capacitor can be 100% monolithic. (See, e.g.,
17 id. at 100:18-101:8, 102:19-103:5, 105:17-105:23, 112:18-112:23.) Moreover, assuming the word
18 “seam” referred to a boundary between a plate and the dielectric, as contended by ATC, Dr. Huebner
19 testified there would be 140 seams in the 545L capacitor, and therefore it would be “substantially, but
20 not wholly, without seams.”²⁹ (See id. at 116:18-117:17.) Likewise, assuming the word “seams”
21 referred to defects and/or porosity, Dr. Huebner agreed there were seams in the 545L capacitor, and
22 therefore it was once again “substantially, but not wholly, without seams.”³⁰ (See id. at 128:23-

24 ²⁹ Assuming each plate has corresponding 2 seams, Dr. Huebner’s testimony was consistent
25 with the specifications in the ‘356 patent, which contemplate a capacitor with 30 to 100 layers, and
therefore with 60 to 200 seams. (See ‘356 patent, col. 2:2-2:5.)

26 ³⁰ There was nothing improper with Dr. Huebner defining the word “seam” as referring to a
27 defect and/or porosity. As Presidio correctly points out, this Court never defined the word “seam.”
28 Accordingly, both ATC and Presidio were within their right to offer at trial conflicting expert opinions
defining that term. Moreover, even if the exact words “gaps,” “voids,” and “porosity” did not appear
in Dr. Huebner’s report, ATC cannot show any prejudice because Dr. Huebner also testified that the
545L capacitor was “substantially, but not wholly, without seams” according to ATC’s own proposed

1 132:20.) Finally, Dr. Huebner testified that despite his view on the appropriateness of the word
2 “seams,” he faithfully applied the Court’s claim construction. Accordingly, there was sufficient
3 evidence for the jury to credit Dr. Huebner’s opinion and to find that the 545L capacitor was
4 “substantially monolithic.”³¹

5 Second, ATC argues there was no sufficient evidence to demonstrate that the 545L capacitor
6 had a “fringe-effect capacitance,” which the Court initially defined as “a determinable capacitance”
7 and then further defined as “a capacity that is capable of being determined in terms of a standard unit.”
8 Presidio, however, points to Dr. Huebner’s detailed dissection and analysis of the 545L capacitor in
9 arguing that he *did* conclude there was fringe-effect capacitance that was “determinable.” (See Trial
10 Tr. Day 4, at 56:1-67:5, 75:15-85:7.) The Court agrees. Notably, Dr. Huebner testified that he took
11 detailed micrographs of the 545L capacitor, and that he also measured a determinable fringe-effect
12 capacitance in the 545L capacitor by using the $C=kA/d$ formula and inputting the actual thickness of
13 the external contact, the actual separation distance, and a lower and upper boundary for what the
14 dielectric constant might be. (See *id.* at 120:24-121:24.) Accordingly, there was sufficient evidence
15 for the jury to credit Dr. Huebner’s opinion and to find that the 545L capacitor had a “fringe-effect
16 capacitance” between the external contacts.

17 For the foregoing reasons, and because ATC makes no objections with respect to any other
18 claim terms, the Court finds there was sufficient evidence for the jury to conclude that Presidio
19 demonstrated by preponderance of the evidence that the 545L capacitor infringes all of the asserted
20 claims of the ‘356 patent.

21 B. Willfulness

22 ATC next challenges the jury’s finding of willful infringement. To demonstrate willful

23
24 definition of the word “seam.” (See Trial Tr. Day 4, at 116:18-117:17.)

25 ³¹ The extent to which Dr. Huebner’s testimony on cross-examination allegedly contradicted
26 his testimony on direct was for the jury to decide. *Cf. Doan v. United States*, 202 F.2d 674, 680 (9th
27 Cir. 1953) (“It was for the jury who observed him and the manner and emphasis with which he gave
28 the quoted statement . . . amounted, as appellant argues, to a withdrawal of his direct testimony . . .
.”). As long as the verdict is supported by sufficient evidence, which is the case here, the Court will
not overturn it “even if it is possible to draw two inconsistent conclusions from the evidence.” *Landes*
Const. Co. v. Royal Bank of Canada, 833 F.2d 1365, 1371 (9th Cir. 1987) (citation omitted).

1 infringement, a patentee must show at least “objective recklessness,” which is a two-part process:

2 [First], a patentee must show by clear and convincing evidence that the infringer acted
3 despite an objectively high likelihood that its actions constituted infringement of a
4 valid patent. The state of mind of the accused infringer is not relevant to this objective
5 inquiry. If this threshold objective standard is satisfied, the patentee must also
6 demonstrate that this objectively-defined risk (determined by the record developed in
7 the infringement proceeding) was either known or so obvious that it should have been
8 known to the accused infringer.

9 In re Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (internal citations omitted).

10 The Court evaluates the totality of the circumstances to determine whether an infringement is
11 “willful.” ACCO Brands, Inc. v. ABA Locks Mfr. Co., 501 F.3d 1307, 1312-13 (Fed. Cir. 2007).

12 In the present case, even if ATC “acted despite an objectively high likelihood that its actions
13 constituted infringement of a valid patent,” Presidio failed to show by clear and convincing evidence
14 that ATC did so with the necessary subjective intent. See Seagate, 497 F.3d at 1371. At trial, ATC
15 presented uncontested testimony from Robert Grossbach, ATC’s Vice President of RF Engineering,
16 and John Mruz that they independently concluded there was “nothing new” in the ‘356 patent. (See
17 Trial Tr. Day 5, at 62:11-64:10; Trial Tr. Day 6, at 85:14-86:9.) Likewise, although the USPTO
18 initially rejected the Mruz patent for the 545L capacitor in light of the ‘356 patent, the USPTO later
19 reconsidered and allowed the Mruz patent, U.S. patent number 7,248,458 (“Mruz patent”). (See Trial
20 Tr. Day 5, at 39:15-40:7, 64:17-65:10.) None of the arguments made by Presidio are sufficient to
21 demonstrate that the jury’s finding of willful infringement was supported by substantial evidence.

22 *i. Alleged “affirmative duty of due care”*

23 Presidio’s first argument is that ATC had a duty to investigate and determine whether it had
24 a good faith belief to market the 545L capacitors in light of the ‘356 patent. However, Presidio relies
25 solely on pre-Seagate case law in support of this proposition. Prior to Seagate, a potential infringer
26 who had actual notice of another’s patent rights had “an affirmative duty to exercise due care to
27 determine whether or not he is infringing.” See Underwater Devices Inc. v. Morrison-Knudsen Co.,
28 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) (citation omitted); accord nCube Corp. v. Seachange Int’l,
Inc., 436 F.3d 1317, 1324 (Fed. Cir. 2006); John Hopkins Univ. v. CellPro, Inc., 152 F.3d 1342, 1364
(Fed. Cir. 1998). In Seagate, the Federal Circuit abandoned this approach and overruled the prior
cases, concluding that a finding of willfulness “requires at least a showing of objective recklessness.”

1 497 F.3d at 1371 (“Accordingly, we overrule the standard set out in Underwater Devices and hold that
2 proof of willful infringement permitting enhanced damages requires at least a showing of objective
3 recklessness. . . . [W]e abandon the affirmative duty of due care”); accord Eastman Kodak Co.
4 v. Agfa-Gevaert N.V., 560 F. Supp. 2d 227, 302 (W.D. N.Y. 2008). Accordingly, there was no
5 “affirmative duty of due care” imposed on ATC in this case; rather, the only duty it had to comply
6 with was the duty to not act with objective recklessness. See Seagate, 497 F.3d at 1371.

7 *ii. Alleged copying*

8 Likewise, there is little merit to Presidio’s argument that willfulness is demonstrated by ATC’s
9 copying of Presidio’s *unpatented* BB capacitors. Evidence of copying may be relevant to Seagate’s
10 second prong, “as it may show what the accused infringer knew or should have known about the
11 likelihood of its infringement.” DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc., 567 F.3d 1314,
12 1336 (Fed. Cir. 2009). At trial, however, Mr. Mruz adamantly denied any copying of the BB
13 capacitors. (See, e.g., Trial Tr. Day 5, at 65:11-65:20.) Presidio has failed to point to any contrary
14 testimony.³² Rather, the only testimony before the jury was that ATC at most *tested* Presidio’s BB
15 capacitors, as well as DLI’s Opti-Caps, while developing its 545L capacitors. (See Trial Tr. Day 6,
16 at 90:19-91:8.) However, as Presidio’s own witnesses confirmed, monitoring the marketplace and
17 testing products developed by competitors is a standard practice in the industry. (See, e.g., Trial Tr.
18 Day 2, at 44:20-44:24, 84:21-85:4, 87:19-88:23.) Accordingly, this factor cannot support the jury’s
19 finding of willful infringement.

20 *iii. Failure to obtain opinion of counsel*

21 Finally, ATC’s failure to present an opinion of a patent attorney—while a relevant factor—is not
22 clear and convincing evidence of willfulness. Contrary to ATC’s objections, the failure to obtain an

23 ³² Unable to point at what exactly ATC copied, Presidio alleges it was “Presidio’s idea of a
24 one-piece, substantially monolithic construction.” (See Pl. Opp. to Motion for JMOL, at 30.) However,
25 Mr. Mruz provided extensive testimony on how ATC came up with one-piece design for the 545L
26 capacitors. (See Trial Tr. Day 5, at 49:19-50:12, 52:9-59:20.) Because Presidio has failed to point to
27 any contrary testimony, there is no basis for Presidio’s argument that there was “egregious copying”
28 or “sudden emergence” of an infringing product. See Trading Tech. Int’l, Inc. v. eSpeed, Inc., No. 04
C 5312, 2008 WL 63233, at *2 (N.D. Ill. Jan. 3, 2008) (“We agree with plaintiff that in some
circumstances pre-patent conduct is relevant to a determination of willfulness, significantly when that
pre-patent conduct consists of egregious copying.” (citations omitted)); Afros S.p.A. v. Krauss-Maffei
Corp., 671 F. Supp. 1402, 1436-38 (D. Del. 1987) (inferring copying from the “sudden emergence”
of the infringing device that had a “nearly identical design” to the patented invention).

1 opinion of counsel *is* a relevant factor post-Seagate. In Seagate, the Federal Circuit noted that over the
2 years, its case law has erroneously established that accused infringer's failure to obtain an opinion of
3 counsel gave rise to an "adverse inference" as to willfulness of infringement. 497 F.3d at 1370. The
4 Seagate court conclusively rejected any such inference, concluding instead that "there is no affirmative
5 obligation to obtain opinion of counsel." Id. at 1370-71. However, the Federal Circuit did *not* hold that
6 failure to obtain opinion of counsel was legally irrelevant. Rather, the court noted that the issue of
7 willfulness must be analyzed under the "totality of the circumstances" approach. Id. at 1369. Notably,
8 the Federal Circuit stated that "[a]lthough an infringer's reliance on favorable advice of counsel, or
9 conversely his failure to proffer any favorable advice, is not dispositive of the willfulness inquiry, *it*
10 *is crucial to the analysis.*" Id. (emphasis added).

11 Case law post-Seagate is split as to whether lack of opinion of counsel is still a valid factor that
12 can be considered by the jury in determining willfulness of infringement. Many courts seem to have
13 concluded that, while there is no longer any "adverse inference" from the failure to obtain opinion of
14 counsel, it is still a factor to be considered in the "totality of the circumstances" approach.³³ A number
15 of courts, however, have interpreted Seagate differently, concluding that lack of opinion of counsel
16 cannot be considered by the jury at all.³⁴ Having considered the issue, the Court agrees with what
17

18 ³³ See, e.g., Finjan Software, Ltd. v. Secure Computing Corp., C.A. No. 06-369 (GMS), 2009
19 WL 2524495, at *15 (D. Del. Aug. 18, 2009) ("While there is no longer an affirmative duty of care
20 that requires an accused infringer to obtain an opinion of counsel, the fact that Secure did not seek any
21 such opinion may be considered in the totality of circumstances surrounding willful infringement.");
22 Creative Internet Adver. Corp. v. YahooA Inc., No. 6:07cv354, 2009 WL 2382132, at *5 (E.D. Tex.
23 July 30, 2009) (noting that while it is not determinative, "the lack of opinion of counsel is one factor
24 of many that the jury could have taken into account in determining whether Defendant willfully
25 infringed"); GSI Group, Inc. v. Sukup Mfg. Co., 591 F. Supp. 2d 977, 981 (C.D. Ill. 2008) ("An
26 alleged infringer's decision not to secure an opinion is relevant to show willfulness, but an alleged
27 infringer is not required to secure an attorney opinion letter before marketing a device to avoid a claim
28 of willfulness."); Energy Transp. Group, Inc. v. William Demant Holding AS, C.A. No. 05-422 GMS,
2008 WL 114861, at *1 (D. Del. Jan. 7, 2008) (denying accused infringer's motion in limine and
concluding that "nothing in Seagate forbids a jury to consider whether a defendant obtained advice
of counsel as part of the totality of the circumstances in determining willfulness"); Cohesive Techs.,
Inc. v. Waters Corp., 526 F. Supp. 2d 84, 103 (D. Mass 2007) (noting that "whether the infringer
solicited or followed the advice of counsel" was one of the factors to be considered in determining
willfulness), vacated in part & rev'd in part on other grounds, 543 F.3d 1351, 1374 (Fed. Cir. 2008).

27 ³⁴ See, e.g., Spectralitycs, Inc. v. Cordis Corp., No. 05-CV-1464 (PJS/RLE), 2009 WL
28 3851314, at *4 (D. Minn. Jan. 13, 2009) (granting motion in limine excluding evidence and argument
regarding opinion of counsel, including with respect to the issue of willful infringement); Anascape
Ltd. v. Microsoft Corp., No. 9:06-CV-158, 2008 WL 7182476, at *4 (E.D. Tex. Apr. 25, 2008) (noting

1 appears to be the majority view post-Seagate that lack of opinion of counsel, while not giving rise to
2 an adverse inference, is still a factor that the jury *can* consider when applying the “totality of the
3 circumstances” approach with respect to willfulness of infringement.

4 This one factor, however, is insufficient to demonstrate by clear and convincing evidence that
5 ATC’s infringement was willful—i.e., that the objectively-defined risk “was either known or so obvious
6 that it should have been known” to ATC. See Seagate, 497 F.3d at 1371. Moreover, since there is no
7 longer any affirmative duty to investigate, see id., ATC had no reason to obtain an opinion of counsel
8 once two of its engineers have independently concluded that there was “nothing new” to the ‘356
9 patent. (See Trial Tr. Day 5, at 62:11-64:10; Trial Tr. Day 6, at 85:14-86:9.)

10 *iv. Conclusion*

11 For the foregoing reasons, the jury’s finding that Presidio demonstrated willful infringement
12 by clear and convincing evidence is not supported by substantial evidence. Accordingly, because the
13 jury’s verdict on this issue was “against the great weight of the evidence,” the Court **GRANTS**
14 ATC’s motion for JMOL on the issue of willfulness. See Hangarter, 373 F.3d at 1005.

15 **III. Damages**

16 ATC next moves for a JMOL on the issue of damages. [Doc. No. 309]. Presidio opposes
17 ATC’s motion, [Doc. No. 320], and separately moves for: (1) supplemental damages for ATC’s
18 continued infringement; (2) enhanced damages due to ATC’s willful infringement; (3) pre-judgment
19 and post-judgment interest; (4) recovery of costs; and (5) attorney’s fees. [Doc. No. 307]. With respect
20 to recovery of damages, Section 284 provides:

21 Upon finding for the claimant the court shall award the claimant damages adequate to
22 compensate for the infringement, but in no event less than a reasonable royalty for the
23 use made of the invention by the infringer, together with interest and costs as fixed by
the court.

24 35 U.S.C. § 284. With regard to attorney’s fees, Section 285 provides that “[t]he court in exceptional
cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285.

25 A. Sufficiency of the evidence supporting the jury’s award of damages

26 At trial, Presidio advanced a lost-profits theory under the four-factor Panduit test, which

27
28 that “the failure to obtain opinion of counsel is not a factor supporting willful infringement”).

requires a showing of: “(1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) manufacturing and marketing capability to exploit the demand, and (4) the amount of profit that would have been made.” DePuy Spine, 567 F.3d at 1329 (citing Panduit Corp. v. Stahl Bros. Fibre Works, Inc., 575 F.2d 1152, 1156 (6th Cir. 1978)). At the conclusion of the trial, the jury awarded Presidio \$1,048,677 in lost profits. In its motion, ATC only challenges the sufficiency of the evidence on the first two Panduit factors, as well as the overall amount of damages awarded.

i. Demand for the patented product

ATC first argues the award of lost profits was improper because the BB capacitors do not practice the ‘356 patent, and the ‘356 patent itself cannot qualify as the patented *product*. The first Panduit factor, however, is not limited to just patented products, but rather asks whether demand existed for a product that is “covered by the patent in suit” *or* that “directly competes with the infringing device.” See DePuy Spine, 567 F.3d at 1330 (citing Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1548-49 (Fed. Cir. 1995) (en banc)). The main inquiry is whether the patentee can demonstrate a “but for” causation traceable to patent infringement. See Rite-Hite, 56 F.3d at 1548.

In the present case, substantial evidence supported the jury’s finding that demand existed for the BB capacitors, which compete with the 545L capacitors.³⁵ For example, Mr. Newman testified about the “head-to-head” competition of these two products, as well as his conclusion that it was essentially a two-competitor market. (Trial Tr. Day 4, at 155:20-156:13, 162:17-162:23, 194:19-197:1, 199:5-201:21.) He indicated that he was aware that the BB capacitors were not covered by the ‘356 patent. (Id. at 156:14-157:6.) According to Mr. Newman, demand existed for the BB capacitors during the relevant time, primarily due to their “one-piece design.” (Id. at 157:10-157:20, 158:14-162:23.) Other evidence at trial supported Mr. Newman’s testimony that both customers and manufacturers

³⁵ ATC argues Mr. Newman’s analysis was improper because it treated the ‘356 patent itself as the patented product, even though the ‘356 patent is neither a capacitor nor a product. However, a review of Mr. Newman’s entire testimony demonstrates that he was actually referring to the demand for the *innovations* covered by the ‘356 patent—such as the BB capacitors’ and the 545L capacitors’ “one-piece design.” (See, e.g., Trial Tr. Day 5, at 157:10-157:20, 158:14-162:23.)

1 were looking for more reliability provided by a one-piece design.³⁶ (See, e.g., Pl. Opp. to Def. Motion
2 for JMOL, Ex. G.) Likewise, other evidence supported Mr. Newman's testimony that both ATC and
3 its customers were dissatisfied with the 540L capacitor's two-piece design, and that the sales of the
4 540L capacitors were already declining when ATC started to produce the 545L capacitors. (See, e.g.,
5 Trial Tr. Day 2, at 140:3-140:17; Trial Tr. Day 3, at 116:18.)

6 ATC argues it was improper to consider the BB capacitors because they and the 545L
7 capacitors serve different markets. See BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc., 1 F.3d
8 1214, 1218-19 (Fed. Cir. 1993) ("The first Panduit factor—demand for the patented
9 product—presupposes that demand for the infringer's and patent owner's products is interchangeable.
10 . . . This analysis assumes that the patent owner and the infringer sell substantially the same product.").
11 According to ATC, the BB capacitors have a higher insertion loss of 0.9 dB at 40 GHz and were
12 designed to compete in the lower level of performance market, while the 545L capacitors have a lower
13 insertion loss of 0.3 dB at 40GHz and were designed to compete in the higher performance market.
14 As an initial matter, however, it is questionable whether the Court can determine consumer demand
15 based solely on specific features of the device at issue. See DePuy Spine, 567 F.3d at 1330 ("[The first
16 Panduit] factor does not require any allocation of consumer demand among the various limitations
17 recited in a patent claim."). There was also substantial evidence before the jury for it to conclude that
18 the BB capacitors and the 545L capacitors competed in the same "one-piece design" market, despite
19 their different insertion loss statistics. (See, e.g., Trial Tr. Day 4, at 155:20-157:6, 162:17-162:23.)
20 Accordingly, the Court finds the first Panduit factor satisfied.

21 *ii. Absence of acceptable noninfringing substitutes*

22 ATC next argues that in the hypothetical "but for" market, the consumers would have chosen
23 the noninfringing 540L capacitors over the BB capacitors due to: (1) better insertion loss of the 540L
24 capacitors (0.5 dB at 40 GHz) versus the BB capacitors (0.9 dB at 40 GHz); and (2) standard industry
25 size of the 540L capacitors (0402) versus non-standard size of the BB capacitors (0502). Moreover,

26
27 ³⁶ For example, at trial, Presidio introduced one of ATC's own documents that set forth five
28 reasons for embracing ATC's next generation ultra-broadband capacitor, the 545L. (See Pl. Opp. to
Def. Motion for JMOL, Ex. G.) Among those five reasons were: (1) "[o]ne-piece construction, with
its inherently higher reliability" and (2) "smaller size than all counterparts (consumes less space;
reduces propensity to launch surfaces modes)." (See id.)

1 according to ATC, consumers looking for lower insertion loss could have also resorted to purchasing
2 DLI's Opti-Caps, or ATC's 520L or 530L capacitors. Consumers looking for a one-piece design could
3 have resorted to purchasing ATC's one-piece Monsorno 500S capacitors.

4 However, the "[m]ere existence of a competing device does not make that device an acceptable
5 substitute." TWM Mfg. Co. v. Dure Corp., 789 F.2d 895, 901 (Fed. Cir. 1986). In the present case,
6 most of the alternatives identified by ATC assume that consumers would have preferred a two-piece
7 design with lower insertion loss over a one-piece design with higher insertion loss. However, there
8 was substantial evidence presented for the jury to conclude that this might not be the case, that the
9 desirability of ATC's 540L capacitors was declining, and that the market was moving toward the use
10 of one-piece capacitors. (See, e.g., Trial Tr. Day 4, at 163:23-173:20.) Moreover, a product lacking
11 the advantages of the infringing device "can hardly be termed a substitute acceptable to the customer
12 who wants those advantages." Kalman v. Berlyn Corp., 914 F.2d 1473, 1484 (Fed. Cir. 1990) (internal
13 quotation marks and citations omitted). In the present case, other drawbacks were identified at trial
14 that—if accepted by the jury—would have made many of the capacitors identified by ATC not very
15 desirable alternatives. (See, e.g., Trial Tr. Day 2, at 140:3-140:17; Trial Tr. Day 3, at 116:18; Trial Tr.
16 Day 5, at 5:1-5:16, 110:24-110:25; Pl. Opp. to Def. Motion for JMOL, Ex. J.)

17 Finally, "[a] patentee need not negate every possibility that the purchaser might not have
18 purchased a product other than its own, absent the infringement." Rite-Hite, 56 F.3d at 1545 (citation
19 omitted); accord King Instrument Corp. v. Otari Corp., 767 F.2d 853, 864 (Fed. Cir. 1985) ("[A
20 patentee] need not meet the impossible burden of negating every possibility that a purchaser might not
21 have bought another product or might not have bought any comparable product at all."). Rather, "[t]he
22 patentee need only show that there was a *reasonable probability* that the sales would have been made
23 'but for' the infringement." Rite-Hite, 56 F.3d at 1545; accord King Instrument, 767 F.3d at 864. In
24 the present case, for the reasons set forth above, Presidio has met its burden of showing "reasonable
25 probability" that "but for" the 545L capacitors, the consumers would have purchased the one-piece
26 BB capacitors. Accordingly, the Court finds the second Panduit factor satisfied.

27 *iii. Calculating lost profits*

28 ATC next alleges a number of errors committed by Mr. Newman in calculating Presidio's lost

1 profits: (1) he did not account for the impact on the sales of BB capacitors caused by the recession;
2 (2) he should have reduced the final amount by 10-20% to reflect the sales of the 545L capacitors that
3 were made to ATC's largest customer, Richardson Electronics, with which ATC has an exclusive
4 agreement; (3) lost profits should be reduced to account for any 540L capacitors that would have been
5 sold in the hypothetical "but for" market at the 2006 manufacturing capacity level of 100,000; (4) it
6 was improper to exclude large customers, rather than large shipments, from the calculations; and (5)
7 based on Presidio's own financial statements, the miscellaneous incremental costs would have
8 accounted for 10% as opposed to Mr. Newman's arbitrary selection of 3%.

9 The Court rejects all of these objections because there was sufficient evidence presented to the
10 jury to support its lost profits verdict. For example, with respect to Richardson Electronics, although
11 it is true that it buys exclusively from ATC, Mr. Newman testified that the focus should be on the
12 customers that are buying the capacitors from Richardson. (See Trial Tr. Day 4, at 201:22-202:15.)
13 Accordingly, there was evidence for the jury to conclude that with 545L capacitors unavailable, those
14 customers could have purchased directly from Presidio rather from ATC through Richardson. (See id.)
15 Likewise, as was already noted, it was for the jury to decide whether customers in the hypothetical
16 "but for" market would have purchased any additional 540L capacitors. As for excluding largest
17 customers, instead of largest shipments, ATC's own expert testified that this was not necessarily
18 improper. (See Trial Tr. Day 6, at 121:6-121:18.) Finally, the jury was presented with two different
19 ways to adjust for miscellaneous costs, and therefore could reasonably choose to apply Presidio's
20 proposed selection of 3% instead of ATC's selection of 10%.

21 For the foregoing reasons, substantial evidence in the record supports both the application of
22 the first two Panduit factors and the overall amount of damages awarded. Accordingly, the Court
23 **DENIES** ATC's motion for JMOL with respect to the jury's verdict on lost profits.

24 **B. Supplemental damages**

25 Presidio moves unopposed for supplemental damages in light of ATC's continued
26 infringement. Under Section 284, a finding of infringement requires the Court to award damages that
27 are "adequate to compensate" the plaintiff. 35 U.S.C. § 284. "[S]upplemental damages are calculated
28 consistent with the damages awarded in the jury verdict." Bard Peripheral Vascular, Inc. v. W.L. Gore

1 & Assocs., Inc., No. CV-03-0597-PHX-MHM, 2009 WL 920300, at *3 (D. Ariz. Mar. 31, 2009)
2 (citation omitted). Accordingly, the Court **ORDERS** that ATC provide an accounting for any sales
3 of 545L capacitors occurring after December 1, 2009. Such accounting shall be submitted to the Court
4 no later than **May 10, 2010**.

5 C. Enhanced damages

6 In light of the jury's finding of willful infringement, Presidio also moves for enhancement of
7 damages. Upon a finding of infringement, Section 284 requires the court to award "damages adequate
8 to compensate for the infringement." 35 U.S.C. § 284. The same section also gives the court discretion
9 to "increase the damages up to three times the amount found or assessed." *Id.* However, for the
10 damages award to be increased, the fact-finder must first determine "whether an infringer is guilty of
11 conduct upon which increased damages may be based," such as an act of willful infringement or bad
12 faith. *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996); *see also In re Seagate Tech., LLC*,
13 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc) ("Absent a statutory guide, we have held that an award
14 of enhanced damages requires a showing of willful infringement." (citations omitted)). Only once
15 culpable conduct is established, "the court then determines, exercising its sound discretion, whether,
16 and to what extent, to increase the damages award given the totality of the circumstances." *Jurgens*,
17 80 F.3d at 1570 (citation omitted). Moreover, "an infringer may generally avoid enhanced damages
18 with a meritorious good faith defense and a substantial challenge to infringement." *Delta-X Corp. v.*
19 *Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 413 (Fed. Cir. 1993) (citation omitted).

20 In the present case, in light of the JMOL on the issue of willfulness, the Court finds that
21 Presidio is not entitled to enhanced damages. Prior to *Seagate*, the Federal Circuit has explicitly held
22 that "enhancement of damages *must be* premised on willful infringement or bad faith." *See Beatrice*
23 *Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991)
24 (citations omitted) (emphasis added). The majority of the *en banc* court in *Seagate* did not elect to
25 overrule *Beatrice Foods*, and this Court remains bound by that decision. *See Cohesive Tech., Inc. v.*
26 *Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008). *But see Sensonics, Inc. v. Aerosonic Corp.*, 81
27 F.3d 1566, 1574 (Fed. Cir. 1996) (suggesting that whether to enhance damages despite a finding of
28 non-willfulness is discretionary). Moreover, the Federal Circuit recently reaffirmed that "[a] finding

1 of willful infringement is a *prerequisite* to the award of enhanced damages.” *i4i Ltd.*, 2010 WL
2 801705, at *19 (citing *Seagate*, 497 F.3d at 1368) (emphasis added); accord *DePuy Spine*, 567 F.3d
3 at 1337. Accordingly, in light of the Court’s conclusion that ATC’s infringement was *not* willful, the
4 Court **DENIES** Presidio’s request for enhanced damages.

5 D. Pre-judgment interest

6 Presidio moves for award of pre-judgment interest. Section 284 allows the Court to award pre-
7 judgment interest “where necessary to afford the plaintiff full compensation for the infringement.”
8 *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654 (1983) (citing 35 U.S.C. § 284). According to
9 the Supreme Court, “prejudgment interest should ordinarily be awarded” to compensate the plaintiff
10 for the “use of the money between the time of infringement and the date of the judgment.” *Id.* at 655-
11 56 (citing 35 U.S.C. § 284). The interest rate to be used, and whether to use simple or compounded
12 interest, is left fully to the discretion of the court. *Bio-Rad Labs., Inc. v. Nicolet Instrument Corp.*, 807
13 F.2d 964, 969 (Fed. Cir. 1986). Finally, the court also retains discretion to limit or even deny pre-
14 judgment interest “where the patent owner has been responsible for undue delay in prosecuting the
15 lawsuit.” *Gen. Motors*, 461 U.S. at 656-57 (citations omitted).

16 As an initial matter, the Court rejects ATC’s argument of “undue delay.” According to ATC,
17 pre-judgment interest is inappropriate because despite knowing that ATC began selling its 545L
18 capacitors in June 2006, Presidio did not bring the suit until May 17, 2007, and even when it did bring
19 the suit, Presidio did not have standing to enforce the ‘356 patent until May 8, 2008. ATC, however,
20 fails to point to any evidence showing that Presidio knew of ATC’s sales as soon as they commenced.
21 Presidio also argues persuasively that its position has always been that it was appropriately named as
22 the plaintiff in this matter from the beginning, and that ATC has not demonstrated otherwise.
23 Accordingly, ATC has failed to demonstrate any “undue delay.”

24 Likewise, the Court rejects ATC’s argument that the interest should be awarded at the prime
25 rate of 5.9%, rather than the statutory rate of 7%. ATC alleges that “courts routinely award pre-
26 judgment interest at the prime rate, which approximates the actual interest cost of borrowing money
27 for businesses much better than the inflexible statutory rate requested by Presidio,” but fails to cite
28 any support for that proposition. (*See* Def. Opp. to Pl. Motion for Post-Trial Remedies, at 16-17.) On

1 the contrary, California courts have found that a simple interest rate of 7% is usually appropriate to
2 fully compensate the plaintiff for the infringement.³⁷ See, e.g., In re Hayes Microcomputer Prod., Inc.
3 Patent Litig., 766 F. Supp. 818, 824 (N.D. Cal. 1991).

4 Accordingly, the Court awards Presidio pre-judgment interest in the amount of **simple interest**
5 **at seven percent** accruing from the date of first infringement, which in this case is June 2006.

6 E. Post-judgment interest

7 The parties agree that pursuant to 28 U.S.C. § 1961, “[i]nterest shall be allowed on any money
8 judgment in a civil case recovered in a district court.” Post-judgment interest is “calculated from the
9 date of the entry of the judgment, at a rate equal to the weekly average 1-year constant maturity
10 Treasury yield, as published by the Board of Governors of the Federal Reserve System.” 28 U.S.C.
11 § 1961; accord Wordtech Sys., Inc. v. Integrated Network Solutions, Inc., No. 2:04-cv-01971-MCE-
12 EFB, 2009 WL 981843, at *7 (E.D. Cal. Apr. 13, 2009). Accordingly, Presidio is entitled to post-
13 judgment interest at the current rate.

14 F. Attorney’s fees

15 Presidio also argues it is entitled to attorney’s fees pursuant to Section 295, which provides
16 that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35
17 U.S.C. § 285. A determination whether to award attorney fees is a two-step process. Forest Labs., Inc.
18 v. Abbott Labs., 339 F.3d 1324, 1327 (Fed. Cir. 2003). First, the Court must determine whether the
19 prevailing party has proved by clear and convincing evidence that the case is “exceptional.” Id.
20 Second, if the Court finds the case to be exceptional, it must then determine whether an award of
21 attorney fees is “appropriate.” Id. at 1328. The Federal Circuit, however, cautioned that Section 285
22 is an *exception* to the American Rule, and as such is “limited to circumstances in which it is necessary
23 to prevent ‘a gross injustice.’” Id. at 1329 (reversing the district court’s award of attorney fees that was
24 based on “patentee’s bad-faith business conduct toward an accused infringer prior to litigation”)
25 (citation omitted). Thus, a case is typically considered “exceptional” only if it involves “‘inequitable
26 conduct before the Patent Office; litigation misconduct; vexatious, unjustified, and otherwise bad faith

27
28 ³⁷ In California, “[i]n the absence of any legislative act to the contrary, the rate of prejudgment
interest is 7 percent.” Pacific-Southern Mortgage Trust Co. v. Ins. Co. of North Am. 166 Cal. App.
3d 703, 716 (1985) (citing CAL. CONST. art. XV, § 1).

1 litigation; a frivolous suit or willful infringement.” Id. (citations omitted).

2 None of the above factors are present here. As the Court already concluded, there was no
3 willful infringement. Likewise, although “[l]itigation misconduct and unprofessional behavior are
4 relevant to the award of attorney fees, and may suffice to make a case exceptional under § 285,”
5 Sensonics, 81 F.3d at 1574 (citations omitted), Presidio has failed to demonstrate this by clear and
6 convincing evidence. The circumstances in the present case do not rise to the level of vexatious,
7 unjustified, or frivolous litigation that have been found to satisfy an award of attorney’s fees.³⁸ See,
8 e.g., Aptix Corp. v. Quickturn Design Sys., Inc., 269 F.3d 1369, 1374075 (Fed. Cir. 2001) (affirming
9 an award of attorney’s fees under § 285 for the “extreme litigation misconduct” of falsifying
10 evidence); Eltech Sys. Corp. v. PPG Indus., Inc., 903 F.2d 805, 810-11 (Fed. Cir. 1990) (affirming an
11 award of attorney’s fees where the suit was brought and maintained in bad faith). Accordingly,
12 because Presidio failed to show that the present case is “exceptional” as required by Section 285, the
13 Court **DENIES** Presidio’s motion for award of attorney’s fees.

14 G. Recovery of costs

15 A successful plaintiff in a patent action may be entitled to recovery of its costs. See 35 U.S.C.
16 § 284; FED. R. CIV. P. 54(d); CIV. L. R. 54.1. ATC does not oppose Presidio’s recovery of costs,
17 although it does challenge the propriety of some of the items for which Presidio seeks recovery.
18 Accordingly, the Court **GRANTS** Presidio award of its costs, subject to a later determination of
19 propriety of any specific item of recovery.

20 **IV. False marking**

21 A. Intent to deceive prior to October 24, 2008

22 ATC separately moves for a JMOL with respect to the jury’s finding that Presidio did not have
23 the “intent to deceive” the public with its false marking prior to October 24, 2008. “Intent to deceive

24
25 ³⁸ The only case the Court found that awarded attorney’s fees on somewhat similar facts was
26 Cargill, Inc. v. Sears Petroleum & Transport Corp., 388 F. Supp. 2d 37, 77 (N.D. N.Y. 2005) (finding
27 the case “exceptional” where, among other things, the losing party “engaged in a strategy designed
28 to drive up litigation expenses which, given its relative size, it [was] in a much better position to
absorb than the [patentee]”). However, in that case, the litigation misconduct was far more
“overreaching” and involved a far greater lack of “candor and responsiveness” than what has been
demonstrated in this case. See, e.g., id. at 77-79 (listing a multitude of reasons supporting the finding
of “vexatiousness,” including filing multiple motions, making arguments of little or no legal
significance, and continued failure to respond to requests for production of documents).

1 is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so
2 and consequently that the recipient of its saying will be misled into thinking that the statement is true.”

3 Clontech Labs., Inc. v. Invitrogen Corp., 406 F.3d 1347, 1352 (Fed. Cir. 2005) (citation omitted). The
4 Federal Circuit has set forth the following standard:

5 Intent to deceive, while subjective in nature, is established in law by objective criteria.
6 Thus, “objective standards” control and “the fact of misrepresentation coupled with
7 proof that the party making it had knowledge of its falsity is enough to warrant
8 drawing the inference that there was a fraudulent intent.” Thus, under such
9 circumstances, the mere assertion by a party that it did not intend to deceive will not
10 suffice to escape statutory liability. Such an assertion, standing alone, is worthless as
11 proof of no intent to deceive where there is knowledge of falsehood. But in order to
12 establish knowledge of falsity the plaintiff must show by a preponderance of the
13 evidence that the party accused of false marking did not have a reasonable belief that
14 the articles were properly marked (i.e., covered by a patent). Absent such proof of lack
15 of reasonable belief, no liability under the statute ensues.

16 Id. at 1352-53 (internal citations omitted).

17 ATC argues that because the Devoes formed *no* belief as to whether they were properly
18 marking the BB capacitors, there is no way the jury could have found the Devoes had a “reasonable
19 belief” that BB capacitors were properly marked. See id. ATC, however, fails to recognize that as a
20 party alleging false marking, it has the burden of establishing “knowledge of falsity” by preponderance
21 of the evidence. See id. ATC can satisfy its burden by affirmatively demonstrating “*lack* of reasonable
22 belief.” See id. (emphasis added). Notably, and fatal to ATC’s motion, Presidio did not have to show
23 anything, much less that it *did* have a “reasonable belief,” unless ATC first met its burden.

24 In any event, there was substantial evidence in the present case to support the jury’s finding
25 that the Devoes *did* form a reasonable belief that BB capacitors were covered by the ‘356 patent. For
26 example, Dan Devoe testified that although he did not inquire as to whether the BB capacitors
27 practiced any of the claims of the ‘356 patent, he believed that they *did* practice the ‘356 patent. (Trial
28 Tr. Day 2, at 44:7-44:19.) Likewise, although Lambert Devoe initially testified that Presidio did not
“form a belief or understanding whether any particular claim of the ‘356 patent covered the BB
capacitor,” he later clarified that Presidio “thought those [marking] decisions were correct,” especially
in light of a cross-sectional diagram on the front cover of the ‘356 patent which “looks remarkably
similar” to the BB capacitors. (Trial Tr. Day 2, at 131:24-132:3; Trial Tr. Day 3, at 21:18-24:19.)
Similarly, Gunter Vorlop testified at his deposition that he believed that Presidio had a patent on its

1 BB capacitors, and that one of those patents was the '356 patent. (Vorlop Dep., at 207-08 (Jan. 6,
2 2009), attached to Def. Motion for JMOL on False Marking, Ex. 5.)

3 For the foregoing reasons, there was sufficient evidence for the jury to find that the Devoes
4 did not understand the intricacies of the marking process at the time the false marking took place, and
5 that they actually believed they *had* to mark their products in order to assert their patents and to protect
6 their rights. In light of this, there was substantial evidence before the jury to find that ATC has failed
7 to demonstrate that prior to October 24, 2008, the Devoes lacked a "reasonable belief" that the '356
8 patent covered the BB capacitors. See Clonetech, 406 F.3d at 1352-53. Accordingly, the Court
9 **DENIES** ATC's motion for JMOL on the issue of false marking.

10 **B. Amount of the fine**

11 Section 292 provides: "Whoever marks upon, or affixes to, or uses in advertising in connection
12 with any unpatented article, the word 'patent' or any word or number importing that the same is
13 patented, for the purpose of deceiving the public . . . [s]hall be fined not more than \$ 500 for every
14 such offense." 35 U.S.C. § 292(a). This Court previously adopted the "continuous act" test set forth
15 in London, 179 F. 506, concluding that "each time Presidio marked *a shipment*, it committed a false
16 marking offense." (MSJ Order, at 12-13 (emphasis added).) The Federal Circuit subsequently clarified
17 that Section 292 provides for false marking fines of any amount up to \$500 *per article*. See Forest
18 Group, Inc. v. Bon Tool Co., 590 F.3d 1295, 1304 (Fed. Cir. 2009). The Bon Tool court noted,
19 however, that the statute gives the court discretion to strike an appropriate balance "between
20 encouraging enforcement of an important public policy and imposing disproportionately large
21 penalties for small, inexpensive items produced in large quantities." Id. For example, the Federal
22 Circuit explained that "[i]n the case of inexpensive mass-produced articles, a court has the discretion
23 to determine that a fraction of a penny per article is a proper penalty." Id.

24 At this stage of the proceedings, the Court is faced with two questions: (1) how many of the
25 BB capacitors were "falsely marked" in violation of the statute, and (2) what should be the amount
26 of the fine for each violation. With regard to the first question, the Court rejects ATC argument that
27 there was a million BB capacitors shipped between October 24, 2008 and April 23, 2009. This figure
28 is based mostly on a single statement made by Lambert Devoe on cross-examination. (See Trial Tr.

Day 2, at 123:14-123:17.) Rather, the Court adopts Presidio's figure of 483,385, which is based on Presidio's statements of the actual number of capacitors shipped.³⁹ (See Pl. Opp. to Def. Findings & Conclusions on False Marking, Ex. D.) However, because the document submitted by Presidio only has data starting from December 10, 2008, the Court will adjust this number proportionally to account for the capacitors sold between October 24, 2008 and December 9, 2008. By Court's calculations, that would be 168,290 additional capacitors sold,⁴⁰ bringing the total to 651,675 units.

In this context, the Court also rejects Presidio's proposal that the Court only assess fines for those capacitors that were *shipped* with a falsely marked label. As ATC correctly points out, during the relevant time, Presidio also advertised the BB capacitors in its catalog and on its website as practicing the '356 patent. (See, e.g., Trial Tr. Day 2, at 125:16-126:18; Def. Findings & Conclusions on False Marking, Exs. 12, RD, AHY_0004). Under Section 292, liability is imposed for "mark[ing] upon," "affix[ing] to," as well as for "us[ing]" the patent in advertising. See 35 U.S.C. § 292(a). Accordingly, just because Presidio did not *mark* all of the shipped BB capacitors with the '356 patent does not change the fact that it violated the statute by *using* the '356 patent in advertising all of those BB capacitors.⁴¹ Accordingly, the Court finds that Presidio committed **651,675 separate offenses** for

³⁹ ATC does not really challenge the accuracy of this figure. The only objection comes from the fact that the figure only covers the BB capacitors shipped from December 10, 2009 until April 23, 2009. As is discussed further, this omission is easily correctable by adjusting the 483,385 figure proportionally for the 47 missing days between October 24, 2009 and December 9, 2009.

⁴⁰ The parties appear to agree that the figure "483,385" corresponds to the time period between December 10, 2009 and April 23, 2009, which amounts to 135 days. The parties also appear to agree that the figure does not include the 47 days between October 24, 2009 and December 9, 2009. Accordingly, by dividing 483,385 units by 135 days, and then multiplying by 47 days, the Court determines that a proportional number of units sold during the earlier period amounts to 168,290.

⁴¹ To be used "in advertising," the false marking must have occurred in a medium or through a channel designed to promote the unpatented product to consumers. See, e.g., Inventorprise, Inc. v. Target Corp., No. 09-CV00380, 2009 WL 3644076, at *4 (N.D. N.Y. Nov. 2, 2009) ("The term 'advertising' implies an act soliciting the general public regarding the product." (citation omitted)); Chamilia, LLC v. Pandora Jewelry, LLC, No. 04-CV-6017 (KMK), 2007 WL 2781246, at *10 (S.D. N.Y. Sept. 24, 2007) ("'Advertising' is defined as 'the action of calling something ... to the attention of the public especially by means of printed or broadcast paid announcements.'" (quoting WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY (1993))); Accent Designs, Inc. v. Jan Jewelry Designs, Inc., 824 F. Supp. 957, 968-69 (S.D. N.Y. 1993) ("If every word and clause in the statute is to be given effect, the expression 'uses in advertising' cannot refer to any and all documents by which the word 'patent' is brought to the attention of the public; it can only refer to use of the word 'patent' in publications which are designed to promote the allegedly unpatented product, namely, advertisements."). In the present case, there can be no doubt that using the '356 patent in connection

1 the 651,675 BB capacitors shipped between October 24, 2008 and April 2009.

2 Finally, with respect to the amount of the fine, the Court rejects the suggestions from both of
3 the parties.⁴² In determining the amount of the fine, the Court must strike an appropriate balance
4 between enforcing the public policy embodied in the statute and not imposing a disproportionately
5 large fine for relatively small violations. See Forest Group, 590 F.3d at 1304. In the present case, the
6 Court believes a fine of \$0.35 per unit suggested by ATC's own expert, Dr. Kennedy, appears to do
7 just that. (See Def. Findings & Conclusions on False Marking, Ex. AIJ_0009.) On the one hand, by
8 penalizing Presidio at a rate of about 32% of Presidio's overall average sales price of \$1.07 per BB
9 capacitor, (see id.), the fine is substantial enough to enforce the public policy embodied in the statute
10 and to deter any similar violations in the future. On the other hand, by not imposing a disproportional
11 liability for what appears to be an "inexpensive mass-produced article," the fine serves its deterrent
12 function without over-penalizing Presidio. Accordingly, the Court adopts a fine of **\$0.35 per unit**,
13 which brings the total amount of the fine for false marking to **\$228,086.25**.

14 **V. Permanent injunction**

15 Presidio next moves for a permanent injunction in light of the jury's verdict finding the '356
16 patent to be valid and infringed. The decision to grant or deny injunctive relief rests within the
17 equitable discretion of the district court, and such discretion "must be exercised consistent with
18 traditional principles of equity, in patent disputes no less than in other cases governed by such
19 standards." eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391, 394 (2006). Accordingly, to be
20 entitled to a permanent injunction, a plaintiff must satisfy the traditional four-factor test by
21 demonstrating:

22 (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as
23 monetary damages, are inadequate to compensate for that injury; (3) that, considering
24 the balance of hardships between the plaintiff and defendant, a remedy in equity is
warranted; and (4) that the public interest would not be disserved by a permanent
injunction.

25 Id. at 391 (citations omitted). A patentee who does not practice the claimed invention can still obtain

26 _____
27 with the BB capacitors in a catalog and on the website was designed to help promote the BB
capacitors to the public, and therefore amounts to "advertising."

28 ⁴² ATC suggests punishing Presidio with a hefty fine of \$1.00 for each BB capacitor shipped,
while Presidio argues the fine should be literally "a fraction of a penny" per article.

1 an injunction, provided the above four-factor test is satisfied. See Broadcom Corp. v. Qualcomm Inc.,
2 543 F.3d 683, 703 (Fed. Cir. 2008) (citations omitted).

3 A. Irreparable injury

4 *i Presumption of irreparable injury*

5 In their moving papers, the parties appear to dispute whether Presidio is entitled to a
6 presumption of irreparable injury in light of the jury's finding that the '356 patent is valid and
7 infringed. Presidio alleges numerous courts have granted permanent injunctions in similar
8 circumstances, by following the Federal Circuit's pronouncement that "[i]n matters involving patent
9 rights, irreparable harm has been presumed when a clear showing has been made of patent validity and
10 infringement." See Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1247 (Fed. Cir. 1989) ("This
11 presumption derives in part from the finite term of the patent grant, for patent expiration is not
12 suspended during litigation, and the passage of time can work irreparable harm."). ATC argues that
13 many of those cases were decided before the Supreme Court clarified the state of the law with respect
14 to permanent injunctions in eBay, 547 U.S. 388.

15 The parties also cite to conflicting post-eBay Federal Circuit case law on this issue. On the one
16 hand, Presidio argues the Federal Circuit has recently indicated that "[i]t remains an open question
17 'whether there remains a rebuttable presumption of irreparable harm following eBay.'" See Broadcom
18 Corp. v. Qualcomm Inc., 543 F.3d 683, 702 (Fed. Cir. 2008) (quoting Amado v. Microsoft Corp., 517
19 F.3d 1353, 1359 n.1 (Fed. Cir. 2008)). On the other hand, ATC argues that in a more recent, but
20 nonprecedential, decision the Federal Circuit stated that the old presumption "is no longer the law."
21 See Automated Merchandising Sys., Inc. v. Crane Co., 2009 WL 4878643, at *3 (Fed. Cir. Dec. 16,
22 2009) (unpublished opinion); see accord Graceway Pharms., LLC v. Perrigo Co., — F. Supp. 2d —,
23 2010 WL 892195, at *3 (D. N.J. Mar. 8, 2010) (noting the split). At oral argument, however, Presidio
24 conceded that it was not relying on any presumption of irreparable injury in this case. Accordingly,
25 the Court need not decide this question.

26 *ii. No irreparable injury*

27 The question of presumption aside, Presidio's assertion of irreparable injury can be broken
28 down into several distinct arguments. First, Presidio alleges that ATC and it are direct competitors

1 who compete in the same market for some of the same customers. As previously noted, however, there
2 was conflicting testimony at trial on whether the BB capacitors and the 545L capacitors competed for
3 the same customers, and whether this was solely a two-competitor market. At most, Presidio has only
4 shown that: (1) *some* of ATC's customers for the 545L capacitors are the same as Presidio's customers
5 for the BB capacitors; (2) the two products are sold in *some* of the same markets; and (3) Presidio was
6 *at times* seen as ATC's only true competitor. In opposition, ATC has presented evidence that: (a) the
7 BB capacitors are only competitive at the lower level of performance market (i.e., insertion loss of 0.9
8 dB at 40GHz) at lower prices; (b) at that level they really compete only with DLI's Opticap and
9 Millicap; and (c) ATC's 545L capacitors are more superior (insertion loss of 0.3 dB at 40GHz), and
10 ATC offers them at a higher price. In light of this testimony, the Court cannot say that Presidio has
11 carried its burden of demonstrating that ATC and it were direct competitors. See Adv. Cardiovascular
12 Sys., Inc. v. Medtronic Vascular, Inc., 579 F. Supp. 2d 554, 558 (D. Del. 2008) ("Courts awarding
13 permanent injunctions typically do so under circumstances where plaintiff practices its invention and
14 is a direct market competitor."); Amado v. Microsoft Corp., Case No. SA CV 03-242 DOC (ANx),
15 2007 U.S. Dist. LEXIS 96487, at *39 (C.D. Cal. May 13, 2007) (finding no irreparable injury where
16 the evidence at trial demonstrated that the patentee did not compete with the alleged infringer, did not
17 sell a product covered by the patent, and was no longer even attempting to commercialize or license
18 the patent), affirmed in relevant part, 517 F.3d 1353, 1360-61 (Fed. Cir. 2008).

19 Second, even if the Court accepts Presidio's allegations of a two-competitor market, that does
20 not automatically lead to the conclusion that there is irreparable injury. Rather, Presidio still has to
21 provide at least some data on any specific sales or customers lost, or what its share of the market is.
22 See, e.g., Adv. Cardiovascular Sys., 579 F. Supp. 2d at 558 (finding no irreparable injury where, *inter*
23 *alia*, the patentee "has not identified any specific customers it has lost, or stands to lose, directly as
24 a result of [the infringing sales]"); Am. Calcar, Inc. v. Am. Honda Motor Co., Case No. 06cv2433
25 DMS (CAB), 2008 U.S. Dist. LEXIS 106476, at **2-3 (S.D. Cal. Nov. 18, 2008) (finding no
26 irreparable injury where the patentee's arguments were purely speculative and where the patentee
27 failed to submit any evidence to support its assertion that "it has not been able to pursue relationships
28 with other companies" (citation omitted)); Praxair, Inc. v. ATMI, Inc., 479 F. Supp. 2d 440, 443-44

(D. Del. 2007) (finding no irreparable injury, despite a jury finding of validity and infringement, where the patent holder “has not provided or described any specific sales or market data to assist the court, nor has it identified precisely what market share, revenues, and customers [the patentee] has lost to [the infringer]” (citations omitted)). In the present case, aside from vague and conclusory allegations, Presidio has provided no such data.⁴³ (See generally Pl. Motion for Perm. Inj., at 15-18.) Likewise, Presidio has not provided any support for its alleged loss of good will and reputation in the marketplace. See, e.g., Am. Calcar, 2008 U.S. Dist. LEXIS 106476, at *3 (finding no irreparable injury where the alleged reputation harm was “purely speculative”); Praxair, 47 F. Supp. 2d at 444 (concluding that the patentee’s “desire to become a monopoly supplier in its product’s market is hardly unique, and is not conclusive evidence of any factor”).

Third, to the extent Presidio argues that irreparable injury can be established solely on the basis of the statutory right to exclude, see 35 U.S.C. § 154(a)(1), that argument is foreclosed by the Supreme Court’s decision in eBay. See 547 U.S. at 392 (rejecting the Federal Circuit’s approach, pursuant to which the “statutory right to exclude alone justifies its general rule in favor of permanent injunctive relief”); accord IMX, Inc. v. LendingTree, LLC, 469 F. Supp. 2d 203, 225 (D. Del. 2007).

Finally, Presidio’s unwillingness to license the ‘356 patent does not change the Court’s determination. In eBay, 547 U.S. at 393, the Supreme Court stated that the patentee’s “willingness to license its patents” and “its lack of commercial activity in practicing the patents” cannot be used as categorical bars to finding irreparable injury. However, nothing in eBay precludes the Court from considering these as part of the totality of factors in determining whether the plaintiff carried its burden in demonstrating that it will suffer an irreparable injury. In the present case, Presidio’s failure to practice the ‘356 patent weighs against the finding of irreparable injury. On the other hand, Presidio’s unwillingness to license the ‘356 patent weighs in favor of finding irreparable injury. See Adv. Cardiovascular Sys., 579 F. Supp. 2d at 560-61 (“[P]ermanent injunctions are typically granted in two-competitor situations where the patentee has demonstrated an unwillingness to part with the

⁴³ In this regard, Presidio’s reliance on I-Flow Corp. v. Apex Med. Techs., Inc., No. 07cv1200 DMS (NLS), 2010 WL 141402 (S.D. Cal. Jan. 8, 2010), is misplaced. In that case, Judge Sabraw expressly found that “Plaintiff has demonstrated it lost market share, the right to control its patent license agreement, and its competitive advantage as a result of Defendants’ conduct,” which was sufficient to find irreparable injury. Id. at *1. Presidio failed to demonstrate those things here.

1 exclusive right” (citations omitted)). However, the “unwillingness to license” is not sufficient by itself
2 to outweigh the other factors discussed above that weigh against the finding of irreparable injury.

3 B. Adequacy of money damages

4 Section 283 provides that “[t]he several courts having jurisdiction of cases under this title *may*
5 grant injunctions in accordance with the principles of equity to *prevent* the violation of any right
6 secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. § 283 (emphases added).
7 “Under some circumstances, awarding an ongoing royalty for patent infringement in lieu of an
8 injunction may be appropriate.” Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1314 (Fed. Cir.
9 2007). However, the decision to award an ongoing royalty would usually come *after* the court has
10 applied the four-factor test and determined that an injunction should not issue. Id. at 1314-15.

11 “While money damages are generally considered inadequate to compensate for the violation
12 of a patentee's right to exclude, [the patentee] nonetheless [has] a burden to iterate *specific reasons*
13 why [the] infringement can not be compensated for with a money award.” Praxair, 479 F. Supp. 2d
14 at 444 (citation omitted) (emphasis added). In the present case, Presidio has not carried its burden.
15 Presidio argues that the effects of future infringement cannot be fully measured in dollars, but fails
16 to explain why money damages would not adequately compensate it for any alleged “lost market
17 share” or any future lost opportunities. See id. (rejecting similar arguments). As already noted,
18 Presidio’s “desire to become a monopoly supplier [of innovative solutions] in its product’s market is
19 hardly unique, and is not conclusive of any factor.” See id. In addition, “loss of market share and
20 price erosion are *economic* harms and *are* compensable by money damages.” See Graceway, 2010
21 WL 892195, at *6 (citation omitted).

22 Many of Presidio’s arguments to the contrary are based on its assertion that injury to
23 “tangential benefits”—such as reputation and good will—cannot be compensated with monetary
24 damages. See, e.g., Polymer Techs., Inc. v. Bridwell, 103 F.3d 970, 975-76 (Fed. Cir. 1996) (“ Years
25 after infringement has begun, it may be impossible to restore a patentee’s (or an exclusive licensee’s)
26 exclusive position by an award of damages and a permanent injunction.”); Atlas Powder Co. v. Ireco
27 Chems., 773 F.2d 1230, 1233 (Fed. Cir. 1985) (“The patent statute further provides injunctive relief
28 to preserve the legal interests of the parties *against future infringement* which may have market effects

never fully compensable in money.”); Fisher-Price, Inc. v. Safety 1st, Inc., 279 F. Supp. 2d 526, 528 (D. Del. 2003) (“In addition, there are certain tangential benefits associated with patent rights, such as a marketplace reputation for enforcing one's patents, the value of which cannot be quantified in monetary damages.” (citation omitted)). However, as previously noted, Presidio provides no evidence that it lost or will lose any specific customers or sales due to ATC’s infringement, or that it has suffered any “lost market share” or “price erosion.” Likewise, there is no evidence demonstrating that Presidio’s reputation as a provider of unique solutions has been damaged by the infringement. In any event, the Court believes that Presidio can be adequately compensated for any “tangential benefits associated with patent rights,” including any damage to reputation and good will, by an “ongoing royalty,” which is appropriate in cases where the patentee does not practice the patent in suit or the infringing product serves the public interest, both of which are true here. See Paice, 504 F.3d at 1314.

Finally, the Court is not persuaded by Presidio’s argument that awarding it damages instead of an injunction would essentially force Presidio to grant a license to ATC after it has made a strategic choice not to license its patent. See 3M Innovative Props. Co. v. Avery Dennison Corp., Case No. 01-1781 (JRT/FLN), 2006 WL 2735499, at *1 (D. Minn. Sept. 25, 2006) (noting that the court would “not disturb [patentee’s] determination that its business interests will not be served by the licensing of this product”). If this was the unequivocal rule in every case, then the Court would be forced to grant every request for a permanent injunction whenever the patentee refused to license the claimed invention. Rather, this is at most only one factor that the Court can consider in determining the adequacy of monetary damages. In the present case, even if the Court agrees with Presidio that an ongoing royalty would amount to a *de facto* “license,” that by itself does not outweigh the other factors discussed above that weigh in favor of finding adequacy of monetary damages.

C. Balance of hardships

The balance of hardships in this case tips in Presidio’s favor. On the one hand, in light of the fact that Presidio does not practice the ‘356 patent or has any intention to do so in the future, the only harm that it will suffer is based on the already-rejected “tangential benefits.” On the other hand, ATC asserts that an abrupt termination of the 545L capacitor product line would be detrimental to its business and to the business of its customers. However, as Presidio correctly points out, “[o]ne who

1 elects to build a business on a product found to infringe cannot be heard to complain if an injunction
2 against continuing infringement destroys the business so elected.” Broadcom, 543 F.3d at 704
3 (citation omitted). Accordingly, the Court cannot accept as a hardship the mere fact that ATC would
4 have to abruptly stop selling its infringing 545L capacitors. Moreover, if ATC’s argument is to be
5 believed, with 545L capacitor off the market, its 540L capacitor should generate a good demand,
6 thereby minimizing potential damages to ATC.

7 D. Public interest

8 The public interest factor in this case tips in ATC’s favor. “Successful exploitation” of the
9 patent by the infringer does not allow the infringer to avoid a permanent injunction. See Broadcom,
10 543 F.3d at 704. Rather, public interest is implicated only where the product at issue is of unusual
11 social benefit. See Adv. Cardiovascular Sys., 579 F. Supp. 2d at 560. In the present case, ATC argues
12 persuasively that enjoining the sale of 545L capacitors will hurt important government, military,
13 space, and infrastructure projects, as well as many critical civilian industries. Presidio’s arguments to
14 the contrary are unavailing. According to Presidio, the grant of an injunction would serve the
15 following three public interests: (1) “[t]he interest in maintaining a strong patent system;” (2) “the
16 interest in fair and healthy competition;” and (3) “the interest in discouraging future wrongdoing.” L-
17 Flow Corp., 2010 WL 141402, at *7. However, those three public interests are always present in a
18 patent case! If they were sufficient by themselves for an injunction to issue, then a patentee would be
19 entitled to an injunction any time a patent is found to be valid and infringed. The Supreme Court has
20 rejected any such notion, noting that each of the factors in the traditional four-factor test must be
21 separately analyzed. See eBay, 547 U.S. at 391-94.

22 E. Conclusion

23 Accordingly, because Presidio has failed to carry its burden in demonstrating that it will suffer
24 an irreparable injury in the absence of an injunction or that money damages are inadequate to
25 compensate it, and because the public interest tips in ATC’s favor, the Court **DENIES** Presidio’s
26 motion for a permanent injunction.

27 Having declined to issue an injunction, the Court must next consider whether an imposition
28 of an “ongoing royalty” will be appropriate. “Under some circumstances, awarding an ongoing royalty

1 for patent infringement in lieu of an injunction may be appropriate.” Paice 504 F.3d at 1314. However,
2 such a remedy is not always warranted. See id. at 1314-15 (“But, awarding an ongoing royalty where
3 ‘necessary’ to effectuate a remedy, . . . does not justify the provision of such relief as a matter of
4 course whenever a permanent injunction is not imposed.”). Rather, “the district court may wish to
5 allow the parties to negotiate a license amongst themselves regarding future use of a patented
6 invention before imposing an ongoing royalty. Should the parties fail to come to an agreement, the
7 district court could step in to assess a reasonable royalty in light of the ongoing infringement.” Id.

8 Accordingly, the Court **ORDERS** that the parties submit supplemental briefing on whether
9 the Court should allow them to negotiate their own license agreement, or whether the Court should
10 impose a specific amount of “ongoing royalty.” Because this is Presidio’s motion, Presidio shall file
11 the first brief no later than **April 26, 2010**. ATC shall file a response no later than **May 10, 2010**.
12 Presidio shall file any reply no later than **May 17, 2010**.

13 CONCLUSION

14 To the extent ATC also seeks a new trial on the issues of validity, infringement, lost profit
15 damages, [Doc. No. 309], and false marking before October 24, 2008, [Doc. No. 308], the Court
16 **DENIES** those motions for the same reasons as set forth above. Having reviewed the parties’
17 arguments and the evidence adduced at trial, the Court cannot say that “‘the verdict is contrary to the
18 clear weight of the evidence, or is based upon evidence which is false,’” or that a new trial is
19 necessary “‘to prevent . . . a miscarriage of justice.’” See Hangarter, 373 F.3d at 1005.

20 For the foregoing reasons, the Court rules as follows:

21 (1) Presidio’s Motion for Permanent Injunction is **DENIED**. Presidio shall file a
22 supplemental brief no later than **April 26, 2010** on whether the Court should allow the parties to
23 negotiate their own license agreement, or whether the Court should impose a specific amount of
24 “ongoing royalty.” ATC shall file a response no later than **May 10, 2010**. Presidio shall file any reply
25 no later than **May 17, 2010**.

26 (2) Presidio’s Motion for Post Trial Remedies is **GRANTED IN PART and DENIED IN**
27 **PART**. Specifically, the Court **DENIES** Presidio’s request for enhanced damages and attorney’s fees.
28 On the other hand, the Court **GRANTS** Presidio’s request for supplemental damages, and for award

1 of pre-judgement and post-judgment interest and costs. With respect to supplemental damages, the
2 Court **ORDERS** that ATC provide an accounting for any sales of 545L capacitors occurring after
3 December 1, 2009. Such accounting shall be submitted to the Court no later than **May 10, 2010**. With
4 respect to the pre-judgment interest, the Court awards Presidio pre-judgment interest in the amount
5 of **simple interest at seven percent** accruing from the date of first infringement, which in this case
6 is June 2006. The Court also awards Presidio post-judgment interest at the currently applicable rate.

7 (3) ATC's Motion for JMOL or for New Trial with Respect to Presidio's False Marking
8 Before October 24, 2008 is **DENIED**.

9 (4) ATC's Motion for JMOL and for New Trial is **GRANTED IN PART and DENIED**
10 **IN PART**. Specifically, the Court **GRANTS** ATC's motion with respect to willfulness of
11 infringement. In all other respects, the Court **DENIES** ATC's motion.


12 (5) ATC's Motion for Entry of ATC's Proposed Findings of Fact and Conclusions of Law
13 with Respect to Presidio's False Marking is **GRANTED IN PART and DENIED IN PART**. The
14 Court finds that Presidio committed **651,675 separate offenses** between October 24, 2008 and April
15 2009 for the 651,675 BB capacitors shipped during that time, and that the appropriate fine should be
16 **\$0.35 per unit**. Accordingly, the total amount of the fine for false marking is **\$228,086.25**.

17 (6) ATC's Motion for Entry of ATC's Proposed Findings of Fact and Conclusions of Law
18 Regarding Indefiniteness is **DENIED**.

19 (7) ATC's Motion for Entry of ATC's Proposed Findings of Fact and Conclusions of Law
20 Regarding Unenforceability of the '356 Patent for Inequitable Conduct is **DENIED**.

21 **IT IS SO ORDERED.**

22
23 **DATED: April 13, 2010**

24 
25 **IRMA E. GONZALEZ, Chief Judge**
26 **United States District Court**
27
28

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS INC.,
Plaintiff,
vs.
AMERICAN TECHNICAL CERAMICS
CORP.,
Defendant.

CASE NO. 08-CV-335 - IEG (NLS)
ORDER ON PLAINTIFF'S MOTION
IN LIMINE: REEXAMINATION OF
THE '356 PATENT

[Doc. No. 202]

On November 12, 2009, the Court heard oral argument on the parties' motions in limine. The Court's ruling on each motion was announced from the bench and is memorialized in the Minute Order entered on the docket on the same day. [Doc. No. 250]. However, the Court indicated at the hearing that a separate written order will be issued regarding Plaintiff's Motion in Limine: Reexamination of the '356 Patent ("Plaintiff's Motion in Limine 4"). [Doc. No. 202]. Having considered the parties' arguments, and for the reasons set forth below, the Court reaffirms its prior ruling and GRANTS IN WHOLE Plaintiff's motion to exclude any evidence relating to the reexamination of the '356 patent.

BACKGROUND

On July 23, 2009, American Technical Ceramics Corp. ("ATC") submitted to the United States Patent and Trademark Office ("USPTO") a replacement request for reexamination of the patent-in-suit, U.S. Patent Number 6,816,356 ("the '356 patent"). On October 20, 2009, the USPTO granted the

1 request for reexamination with respect to claims 1-5, 16, and 18-19. (See Def. Mem. of P. & A. in
2 opposition to Pl. MIL 4, Ex. 1, at 22.) In Plaintiff's Motion in Limine 4, Presidio moves to exclude
3 any evidence relating to the reexamination on the ground that it is not relevant to this lawsuit and is
4 also unfairly prejudicial to Presidio.

5 DISCUSSION

6 A. Parties' arguments

7 Presidio seeks to exclude all evidence relating to the reexamination proceedings of the '356
8 patent. First, Presidio argues that the grant of reexamination is irrelevant to this case because it is not
9 probative of unpatentability. Second, Presidio asserts that despite the grant of reexamination, "there
10 is only an approximate 12% likelihood that all of the patented claims will be cancelled." Third,
11 Presidio argues that even if relevant, evidence of the reexamination proceedings should be excluded
12 as unfairly prejudicial. Finally, according to Presidio, granting its motion in limine will also ensure
13 a sustainable jury verdict in the case.

14 On the other hand, ATC argues that evidence of the reexamination proceedings should not be
15 excluded. According to ATC, it does not intend to argue that the '356 patent is invalid simply because
16 of the grant of reexamination. Rather, ATC wants to use "very specific determinations and findings
17 made by the [USPTO] in the Order Granting Reexamination that are directly relevant and highly
18 probative of specific issues underlying ATC's inequitable conduct and invalidity defenses." These
19 include: (1) "non-cumulativeness of the reexamination references in the prior art in the original
20 prosecution" and (2) "importance of their consideration to a reasonable examiner, *i.e.*, their materiality
21 to patentability." Moreover, according to ATC, specific USPTO's determinations are also highly
22 probative on the evaluation of the relevant Graham obviousness factors and regarding willfulness.

23 B. Analysis

24 Presidio argues persuasively that "the grant by the examiner of a request for reexamination is
25 not probative of unpatentability." See Hoechst Celanese Corp. v. BP Chemicals Ltd., 78 F.3d 1575,
26 1584 (Fed. Cir. 1996). "The grant of a request for reexamination, although surely evidence that the
27 criterion for reexamination has been met (*i.e.*, that a 'substantial new question of patentability' has
28 been raised, 35 U.S.C. § 303), does not establish a likelihood of patent invalidity." Id. (citation

1 omitted). On the contrary, although it appears that the USPTO grants about 92% of the requests for
2 reexamination, in only 12% of cases does that reexamination result in all claims being cancelled. See
3 UNITED STATES PATENT AND TRADEMARK OFFICE, EX PARTE REEXAMINATION FILING DATA -
4 DECEMBER 31, 2007, ¶¶ 5a, 10b; see accord Hoechst Celanese Corp. v. BP Chemicals Ltd., 846 F.
5 Supp. 542, 547 (S.D. Tex. 1994), aff'd, 78 F.3d 1575 (Fed. Cir. 1996). There is thus a “substantial
6 likelihood” that, despite the grant of reexamination, the USPTO will uphold the patentability of some
7 or all of Presidio’s claims. See Amphenol T&M Antennas, Inc. v. Centurion Int’l Inc., No. 00 C 4298,
8 2002 WL 32373639, at *1 (N.D. Ill. Jan. 17, 2002).

9 Moreover, even if the reexamination proceedings are somehow relevant on the issues of
10 obviousness or willfulness, they are nevertheless unfairly prejudicial. See FED. R. EVID. 403. As noted
11 above, because the reexamination proceedings before the USPTO are still incomplete and based solely
12 on the evidence provided by ATC in its replacement request for reexamination, there is very little
13 probative value to the grant of reexamination. On the other hand, the prejudicial effect as well as
14 potential for jury confusion is great.¹ Thus, because the prejudicial potential of the evidence
15 “substantially outweigh[s]” any probative value, it should be excluded. See FED. R. EVID. 403.

16 ATC’s arguments to the contrary are unpersuasive. In Molins PLC v. Textron, Inc., 48 F.3d
17 1172, 1179 (Fed. Cir. 1995), on which ATC relies, the Federal Circuit merely stated that “the *result*
18 of a [USPTO] proceeding that assesses patentability in light of information not originally disclosed
19 can be of strong probative value in determining whether the undisclosed information was material”
20 (emphasis added). In the present case, however, the USPTO’s reexamination proceedings are still
21 incomplete and based solely on the evidence submitted by ATC, and therefore there is no “result” that
22 ATC can rely upon. See 3M Innovative Prop. Co. v. Dupont Dow Elastomers LLC, No. 03-3364
23 MJD/AKB, 2005 WL 2216317, at *2 (D. Minn. Sept. 8, 2005) (“On the other hand, admission of
24 evidence of an incomplete reexamination would have low probative value, would distract from the
25

26 ¹ The Court notes that pursuant to ATC’s own motion in limine, the Court has already excluded
27 from trial any reference to the “presumption of validity.” (See Def. MIL 1.) Contrary to ATC’s
28 arguments, however, this weighs in favor of granting Plaintiff’s Motion in Limine 4. With any
reference of the “presumption of validity” excluded, allowing the jury to hear about incomplete
USPTO proceedings will be unfairly prejudicial to Presidio, and could potentially confuse the jury as
to who has what burden throughout the trial.

1 core issues of the case, and would be highly prejudicial.” (citations omitted)).

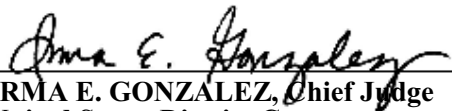
2 None of the other cases cited by ATC as supporting its position apply at this juncture. For
3 example, Lucent Tech., Inc. v. Gateway, Inc., No. 07-CV-2000-H (CAB), 2007 U.S. Dist. LEXIS
4 95934 (S.D. Cal. Oct. 30, 2007) dealt with considering the grant of reexamination at the *summary*
5 *judgment* stage, rather than having that evidence presented to the jury. As for Fresenius Med. Care
6 Holdings, Inc. v. Baxter Int’l, Inc., No. C 03-1431 SBA, 2006 WL 1330003, at *4 (N.D. Cal. May 15,
7 2006), although the court there did find that a limiting instruction could alleviate the potential
8 prejudice, the court also relied on the moving party’s failure to include the argument in its original
9 motion as a basis for denying it without prejudice at the *summary judgment* stage.

10 **CONCLUSION**

11 For the foregoing reasons, the Court **GRANTS** Presidio’s motion to exclude from trial all
12 evidence relating to the reexamination proceedings of the ‘356 patent. This does not, however,
13 preclude ATC from arguing to the jury that the nine references discussed by the USPTO in its grant
14 of reexamination were non-cumulative or important to a reasonable examiner. ATC just has to do it
15 based on separate and independent evidence, rather than on the grant of reexamination itself.

16 **IT IS SO ORDERED.**

17
18 **DATED: November 13, 2009**

19 
20 IRMA E. GONZALEZ, Chief Judge
21 United States District Court
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Case 3:08-cv-00335-IEG-NLS Document 198 Filed 08/06/09 Page 1 of 1

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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**
10

11 PRESIDIO COMPONENTS, INC.,

12 Plaintiff,

13 vs.

14 AMERICAN TECHNICAL CERAMICS
15 CORP.,

16 Defendant.

CASE NO. 08cv335 - IEG - NLS

ORDER DENYING ATC'S
ARGUMENT REGARDING
PROPOSED ADDITIONAL
ADMITTED AND UNCONTESTED
FACTS


[Doc. No. 185.]

17 At the Pretrial Conference, a week after the parties lodged their Proposed Pretrial Order,
18 defendant American Technical Ceramics Corp. ("ATC") submitted under seal an "Argument
19 Regarding Proposed Additional Admitted and Uncontested Facts." (Doc. No. 185.) Presidio
20 submitted an opposition on June 15, 2009. On June 1, 2009, the Court signed and entered the Pretrial
21 Order. As such, ATC's argument is DENIED AS MOOT.

22 Furthermore, the Court directs the parties to meet and confer regarding any additional admitted
23 and uncontested facts. No later than two weeks prior to trial, the parties shall submit any additional
24 stipulations as appropriate.

25 **IT IS SO ORDERED.**

26 **DATED: August 6, 2009**

27 
28 IRMA E. GONZALEZ, Chief Judge
United States District Court

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

PRESIDIO COMPONENTS, INC.,	)	Civil No. 08cv335 IEG (NLS)
)	
Plaintiff,	)	ORDER DENYING ATC'S MOTION TO
v.	)	COMPEL PLAINTIFF TO COMPLY
	)	WITH THE COURT'S ORDER AND TO
AMERICAN TECHNICAL CERAMICS	)	PRODUCE DOCUMENTS
CORPORATION,)	
	)	[Doc. No. 78]
Defendant.)	
_____)	
AMERICAN TECHNICAL CERAMICS)	
CORPORATION,)	
)	
Counterclaimant,)	
v.)	
)	
PRESIDIO COMPONENTS, INC.,)	
)	
Counterdefendants.)	
_____)	

I. INTRODUCTION

This is a patent infringement case involving U.S. Patent No. 6,816,356 ("The '356 patent"). Presidio Components, Inc. ("Presidio") filed suit against American Technical Ceramics Corporation ("ATC") alleging infringement of the '356 patent. (Doc. No. 1 at ¶ 10.) ATC filed a counterclaim alleging, inter alia, tortious interference with contractual relations. (Doc. No. 10 at pp. 11-12.)

ATC filed the motion presently before the Court to Compel Plaintiff to Comply with the Court's Order and to Produce Documents (herein "Motion to Compel"). (Doc. No. 78.) This motion is

appropriate for adjudication on the papers submitted and the Court previously vacated the hearing date.
(Doc. No. 146.)

Relevant Facts

ATC's present Motion to Compel stems from its prior Motion to Compel [Presidio] to Produce Documents and Respond to Interrogatories. (Doc. No. 42.) On November 10, 2008, the Court issued an Order Granting in Part and Denying in Part ATC's Motion to Compel [Presidio] to Produce Documents and Respond to Interrogatories (herein "Order"). (Doc. No. 58.) The Court ordered Presidio to produce documents responsive to ATC's Requests for Production (herein "RFP") Nos. 52 through 55 by November 12, 2008, and to produce all other required discovery by November 24, 2008. (*Id.*) ATC asserts that Presidio did not comply with the Court's Order.

In addition to the deadlines set by the Court's Order on ATC's previous motion to compel, the Court's First and Second Amended Scheduling Order Regulating Discovery and Pretrial Proceedings (herein "Scheduling Order") set the deadline to complete fact discovery for December 5, 2008, and the expert discovery deadline for March 9, 2009. (Scheduling Order, as Modified, Doc. Nos. 37, 65.) The operative Scheduling Order provides, in relevant part:

"*Completed* means that all discovery under Rules 30-36 of the Federal Rules of Civil Procedure must be initiated in a sufficient period of time in advance of the cut-off date, so that it may be completed by the cut-off date, taking into account the times for services, notice, and response as set forth in the Federal Rules of Civil Procedure. All disputes concerning discovery shall be brought to the attention of the Magistrate Judge no later than thirty (30) days following the date upon which the event giving rise to the discovery dispute occurred. Counsel shall meet and confer pursuant to the requirements of Fed. R. Civ. P. 26 and Local Rule 26.1(a)."

(Scheduling Order, Doc. No. 14 at 2.)

On March 16, 2009—one week after expert discovery closed and on the last day to file all pretrial motions—ATC filed the present Motion to Compel. (Doc. No. 78.) ATC's motion concerns RFPs Nos. 1-3, 7, 8, 69, and Interrogatory ("ROG") no.1. (*See id.*) The motion is not timely and the record indicates that ATC did not conduct a proper meet and confer before filing the motion. Therefore, the Motion is Denied.

///

///

II. DISCUSSION

ATC'S MOTION IS UNTIMELY

RFPs 1-3, 7, and 8

The Scheduling Order requires that the parties bring any discovery dispute to the Court's attention within 30 days of the event giving rise to the dispute. The Court ordered Presidio to produce documents responsive to RFPs 1-3, 7, and 8 by November 24, 2008. (*See* Order at 1.) Therefore, the deadline for filing this motion was December 24, 2008.

In support of its Motion to Compel, ATC explained that since December 5, 2008—the fact discovery cut-off date—it had "been actively communicating through letter correspondence, email, and meet and confer sessions regarding Presidio's non-compliance with the Court's November 10 Order." (Memo Ps&As Mot. to Compel at 1.) Yet, despite its awareness of an ongoing discovery dispute as early as December 5, and the Court's requirement that discovery disputes be brought to its attention no later than 30 days following the date upon which the event giving rise to the discovery dispute occurs, ATC waited nearly four months—precisely 112 days—to file this motion. (Notice of Mot. to Compel, Doc. No. 78.)

ATC completely disregarded the Court's scheduling orders and did not present the Court with good cause to justify the extreme delay. Accordingly, the motion to compel is denied as untimely.

RFP 69

ATC's motion regarding RFP 69 is likewise untimely. RFP 69 seeks documents regarding Presidio's damages claims. (Memo Ps&As Mot. to Compel at 3.) In its November 10, 2008 Order, the Court denied without prejudice ATC's motion to compel a response to RFP 69. (Order at 6.) In so doing, the Court invited ATC to renew its request *if* Presidio failed to include information responsive to RFP 69 in the report of its damages expert and prior to the expert's deposition. (*Id.*) The deadline for submitting expert reports in this case was January 23, 2009. (Scheduling Order, as Modified, Doc. No. 65.)

As explained above, the Court requires that all discovery motions be brought within 30 days of the event giving rise to the discovery dispute. Presidio's damages expert, Glenn Newman, prepared a thirty-five (35) page report and included an exhibit describing every document he considered and relied

1 on in performing his damages analysis in this case. (Memo Ps&As in Opp'n at 7; *see also* Opp'n, Ex.
2 A.) The date Mr. Newman submitted his report—January 23, 2009—started the clock running on ATC's
3 30 day time limit to file related discovery motions. Thus, ATC's deadline for filing this motion was
4 February 23, 2009. Not only did ATC fail to file its motion on time, it did not do so until the final date
5 to file all pretrial motions, which was more than one week after expert discovery closed entirely.¹

6 ROG 1

7 ATC's motion to "compel Presidio to supplement its response to ROG 1" is similarly untimely.
8 (Reply at 6.) Furthermore, the parties do not dispute that Presidio provided a response to ROG 1 and
9 also provided ATC with a declaration confirming that Presidio performed a reasonable search and
10 produced all relevant documents. (Memo Ps&As in Supp. at 11; Opp'n at 15; Reply at 6.) The
11 information before the Court indicates that Presidio has fully complied with its obligations.
12 Accordingly, the Court denies ATC's request for an order compelling Presidio to provide it with
13 additional information.

14 ATC has made no showing that it acted diligently in bringing these discovery motions before the
15 Court, nor has it provided good cause to excuse its noncompliance with the Scheduling Order. For the
16 foregoing reasons, the Court denies ATC's Motion to Compel Presidio to Comply with the Court's Order
17 and Produce Documents.

18 **FAILURE TO CONDUCT AN APPROPRIATE MEET AND CONFER**

19 Civil Local Rule 26.1(a) requires counsel for the moving party to arrange a meet and confer
20 before the court will entertain a discovery motion. *See* CivLR 26.1(a). Local Rule 26.1 further states
21 that: "Under no circumstances may the parties satisfy the meet and confer requirement by exchanging
22 written correspondence." *Id.* The record indicates that ATC failed to arrange for and engage in an
23 appropriate meet and confer before filing this discovery motion. The record reveals the following: On
24 Friday, March 13, 2009, at 5:29 p.m.—i.e., after the close of business on the last business day before the
25 weekend—counsel for ATC sent Presidio's counsel an e-mail asking to meet and confer on Monday,
26 March 16, 2009 (the deadline for filing all pretrial motions), regarding unresolved discovery issues.

27
28

¹The Court's Second Amended Scheduling Order set March 9, 2009, as the date for completion
of all expert discovery. [Doc. No. 65.]

1 (Memo Ps&As in Opp'n at 6; Opp'n, Ex. C.) Given the short notice, no meet and confer took place
2 before ATC called the Court and requested a hearing date for the present motion. (*Id.*; Opp'n, Ex. D.)
3 On March 17, 2009, attorney Timur Slonim signed ATC's Certification of Compliance with Civil Local
4 Rule 26.1 (herein "Certification"). (Doc. No. 81-2.) ATC's certification provides, in pertinent part:

5 Pursuant to CivLR 26.1, counsel for Presidio and ATC have met and conferred
6 concerning ATC's present motion to compel Presidio to comply with the Court's Order
7 and to produce documents . . . Mr. Slonim served letters on January 9 and February 23,
8 2009 again requesting that Presidio provide the discovery mandated by the Court's Order.
9 Presidio responded by claiming to be in compliance with the Order and that all
10 documents have been produced. In view of the deadline to file any motions on or before
11 March 16, 2009, ATC made an additional request for a meet and confer on that date
12 which Presidio refused to have. Accordingly, ATC has filed this Motion to Compel.

13 (*Id.* at 2.) In its Opposition to ATC's motion, Presidio contends ATC failed to conduct the required meet
14 and confer prior to filing the present motion. (Memo Ps&As in Opp'n at 6.) In its Reply, ATC refers to
15 its Rule 26.1 Certification as evidence that an adequate meet and confer took place. (Reply at 2 n. 7.)


16 ATC's belated attempt to arrange a meet and confer prior to filing this motion did not satisfy the
17 requirements set by the Local Rule. Still, Presidio responded to Mr. Slonim's eleventh hour request via
18 letter on March 16, 2009, and did not refuse to meet and confer. (Opp'n, Ex. D.) Rather, Presidio
19 responded to the after-hours email the following business day and asked ATC to identify the outstanding
20 discovery issues so that the parties could engage in a meaningful meet and confer. (*Id.*)

21 ATC's demand for a meet and confer after hours on the Friday before a Monday motions filing
22 deadline does not comply with the letter or spirit of the Local Rule. *See* Fed. R. Civ. P. 37(a)(1).
23 Furthermore, Mr. Slonim's representation that Presidio's counsel "refused" to have an additional meet
24 and confer prior to the filing of this motion misrepresents the record.

25 Accordingly, for all of the reasons stated above, ATC's Motion to Compel Presidio to Comply
26 with the Court's Order and Produce Documents is **DENIED** in its entirety.

27 **IT IS SO ORDERED.**

28 DATED: May 20, 2009


Hon. Nita L. Stormes
U.S. Magistrate Judge

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS, INC.,

Plaintiff,

vs.

AMERICAN TECHNICAL CERAMICS
CORP.,

Defendant.

CASE NO. 08cv335 - IEG - NLS

ORDER DENYING DEFENDANTS
MOTION FOR LEAVE TO AMEND
ANSWER AND COUNTERCLAIMS

[Doc. No. 118.]

In this patent infringement action, after completion of claims construction, close of discovery, and issuance of two summary judgment orders, defendant American Technical Ceramics ("ATC") now moves for leave to amend its answer and counterclaims. (Doc. No. 118.) ATC seeks to: (1) include an interference with prospective economic advantage claim; (2) insert false marking claims based on additional patent designations; and (3) add a 28 U.S.C. § 1498 immunity defense.¹ Plaintiff Presidio Components ("Presidio") opposed and ATC replied. For the reasons set forth below, the Court DENIES ATC's motion.

BACKGROUND

On February 21, 2008, Presidio filed a complaint alleging ATC infringed U.S. Patent Number 6,816, 356 (the "356 patent"). ATC brings numerous counterclaims, however, only two are relevant

¹ Section 1498 states, in relevant part, "Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture." 28 U.S.C. §1498.

1 to this proceeding. Counterclaim Four alleges Presidio interfered with ATC's contractual relations
2 by publishing a news release announcing a previous incarnation of this action. Counterclaim Five
3 alleges Presidio falsely marked its Buried Broadband ("BB") capacitors with the '356 patent.

4 On July 14, 2008, the Court issued a claim construction order, construing the '356 patent's
5 disputed terms. (Doc. No. 24.) On August 25, 2008, the Court denied ATC's motion for summary
6 judgment of indefiniteness. (Doc. No. 32.) Fact discovery closed on December 5, 2008 and expert
7 discovery closed on March 9, 2009. (Doc. No. 65.)

8 On April 30, 2009, the Court entered an order regarding the parties' cross-motions for
9 summary judgment. In that order, the Court found the California litigation privilege bars ATC's
10 Counterclaim Four. Further, the Court limited its review of Counterclaim Five to the '356 patent, the
11 only patent mentioned in the counterclaim.

12 Presently, ATC seeks to make three amendments to its answer and counterclaims. First, ATC
13 seeks to include a claim for interference with prospective business advantage. Second, ATC seeks
14 damages for Presidio's alleged false marking of the BB capacitors with U.S. Patent No. 6,366,443;
15 U.S. Patent No. 6,587,327; U.S. Patent No. 6,970,341; U.S. Patent No. 7,057,776; and the phrase
16 "patent pending." Third, ATC seeks to include an affirmative defense of immunity under 28 U.S.C.
17 § 1498. The motion is amendable to disposition without oral argument. Local Civil Rule 7.1(d)(1).

18 **LEGAL STANDARD**

19 If a court has already issued a pretrial scheduling order, the party seeking to amend the
20 pleadings must first satisfy Federal Rule of Civil Procedure 16. Johnson v. Mammoth Recreations,
21 975 F.2d 604, 608 (9th Cir. Cal. 1992). The scheduling order limits "the time to join other parties,
22 amend the pleadings, complete discovery, and file motions," and "may be modified only for good
23 cause and with the judge's consent." Fed. R. Civ. P. 16(b) (2008). A party satisfies the "good cause"
24 standard only by showing the deadline "cannot reasonably be met despite the diligence the party
25 seeking the extension." Johnson, 975 F.2d at 609 (citation omitted). If the amending party shows good
26 cause, the party must then demonstrate the amendment is proper under Rule 15. Id. at 608.

27 After service of the responsive pleadings, Rule 15 permits a party to amend "only by leave of
28 court or by written consent of the adverse party" Fed. R. Civ. P. 15(a)(2). This leave "shall be

freely given when justice so requires.” Id. “There are several accepted reasons why leave to amend should not be granted, including . . . undue delay, prejudice to the [opposing party], futility of amendment, and that the party has previously amended the relevant pleading.” Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc., 989 F. Supp. 1237, 1241 (N.D. Cal. 1997) (citing DCD Programs, Ltd. v. Leighton, 833 F.2d 183, 186 (9th Cir. 1987)).

DISCUSSION

For the sake of clarity the Court addresses the proposed amendments in order.

A. Interference with Prospective Economic Advantage

ATC seeks to add a claim for tortious interference with prospective economic advantage to Counterclaim Four. In its April 30, 2009 order, the Court found the California litigation privilege barred ATC’s Counterclaim Four because the allegedly tortious press release was a protected communication. The privilege similarly bars a claim for interference with prospective economic advantage. As such, the Court DENIES ATC’s motion to amend Counterclaim Four as futile.

B. False Marking

Currently, ATC’s Counterclaim Five alleges Presidio falsely marked its BB capacitor with the ‘356 patent. ATC seeks to add claims Presidio falsely marked the BB capacitor with four other patents and a patent pending designation.

i. Parties’ Arguments

ATC believes its motion is timely because of recent discovery concerning the extent of Presidio’s false marking and Presidio’s underlying intent. Further, ATC asserts Presidio will not suffer prejudice because they have already assessed the extent of the false marking. ATC notes its expert, Dr. Dougherty, found Presidio falsely marked the BB capacitors with the ‘327 patent, the ‘356 patent, the ‘341 patent, the ‘776 patent, the ‘443 patent, and “patent pending” designation. According to ATC, Presidio’s rebuttal expert conceded false marking with the ‘356 patent and ‘327 patent.

Presidio argues ATC has known for over a year that Presidio marked its BB capacitors with the disputed patent designations, but has unduly delayed amendment, citing Roberts v. Arizona Board of Regents, 661 F.2d 796, 798 (9th Cir. 1981). Presidio asserts it will suffer prejudice because, if

1 allowed, the amendment will necessitate further claims construction proceedings and further
2 discovery. For example, Presidio believes it will need to re-depose ATC's expert.

3 ii. Analysis

4 Other courts have denied motions for leave to amend that are filed at a late stage in the
5 proceedings. In Roberts v. Arizona Bd. of Regents, 661 F.2d 796, 798 (9th Cir. 1981), the court
6 upheld the denial of a motion for leave to amend where discovery was nearly complete and a motion
7 for summary judgment was pending before the district court. See also Diersen v. Chicago Car
8 Exchange, 110 F.3d 481 (7th Cir. 1997) (affirming a denial of a motion for leave to amend where the
9 motion was brought after the court had already granted a motion for summary judgment); Evans v.
10 McDonald's Corp., 936 F.2d 1087, 1091 (10th Cir. 1991) (discussing negative consequences that
11 occur if the liberal federal pleading rules are employed to allow plaintiffs to ascertain bases of their
12 claims at the last minute, including wasted resources and prejudicial delay).

13 In the instant case, the motion would unduly prejudice Presidio and waste judicial resources.
14 ATC brought the motion during the pendency of the parties' cross-motions for summary judgment,
15 months after the close of discovery. Aside from the timing, Presidio has focused discovery solely on
16 defending a claim for false marking the '356 patent. If allowed, the amendment will require Presidio
17 to conduct extensive discovery to evaluate the alleged false marking with the other patent
18 designations, including the re-deposition of experts and Presidio employees. Further, both parties
19 agree the Court would have to conduct additional claim construction proceedings for each of the
20 newly included patents, raising concerns of judicial economy. At this stage of the proceedings – with
21 the pretrial conference only a few weeks away – reopening discovery and conducting additional claim
22 construction proceedings would cause undue prejudicial delay. This additional burden on Presidio
23 outweighs any benefit gained by consolidating ATC's false marking claims into one action. ATC can
24 bring these additional claims in another action if it raises them at a more appropriate procedural stage.

25 **C. The 28 U.S.C. § 1498 Immunity Defense**

26 i. Parties Arguments

27 ATC seeks to assert partial immunity under 28 U.S.C. §1498. ATC believes its motion is
28 timely because it only recently discovered Presidio bases damage calculations on all 545L capacitor

1 sales. ATC believes its sales to the federal government trigger section 1498 immunity, a defense that
2 requires minimal discovery: evaluation of the face of the contracts. Crater Corp. v. Lucent Techs., Inc.,
3 255 F. 3d 1361, 1368 (Fed. Cir. 2001).

4 Presidio asserts ATC knew it intended to seek lost profits damages in February 2008. Presidio
5 claims it has consistently based its lost profits claim on the total sales of the infringing 545L capacitor.

6 Presidio argues ATC knew of the claim and knew of its own government contracts; therefore, it
7 should have raised the immunity defense in its original answer. If the Court allows the amendment,
8 Presidio believes it will have to conduct discovery to determine the applicability of section 1498.

9 ii. Analysis

10 ATC's undue delay in filing this affirmative defense weighs against granting the motion. In
11 evaluating undue delay, courts inquire "whether the moving party knew or should have known the
12 facts and theories raised by the amendment in the original pleading." AmerisourceBergen Corp. v.
13 Dialysist West, Inc., 465 F.3d 946, 953 (9th Cir. 2006) (quoting Jackson v. Bank of Hawaii, 902 F.2d
14 1385, 1388 (9th Cir. 1990)). The Ninth Circuit has held "that an eight month delay between the time
15 of obtaining a relevant fact and seeking a leave to amend is unreasonable." Id. In this case, Presidio
16 alleged it suffered "loss of sales and profits" due to ATC's sale of the 545L capacitor fourteen months
17 prior to the instant motion. (Compl. at 3.) This unambiguous language notified ATC that Presidio
18 sought lost profits damages, triggering ATC's burden to raise the section 1498 defense. ATC stretches
19 credulity, and contradicts the plain language of the complaint, when it claims it lacked notice lost
20 profit damages were based on all sales of the 545L capacitors. The fourteen months between the filing
21 of the complaint and the motion for leave to amend constitutes undue delay.

22 Further, the amendment would unduly prejudice Presidio by forcing excessive additional
23 discovery and unnecessary delay. The burden of conducting additional discovery does not
24 automatically constitute undue prejudice warranting denial of a motion to amend. State Farm Mut.
25 Auto. Ins. Co. v. CPT Medical Services, P.C., 246 F.R.D. 143 (E.D.N.Y. 2007). However, in this
26 instance, ATC seeks to introduce a new immunity defense at a late stage in the proceedings. If the
27 Court allows the amendment, Presidio would have to rehash much of its discovery to determine the
28 applicability of section 1498, including re-deposition of experts, further document requests, and third

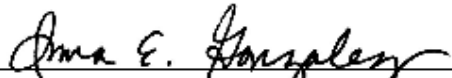
1 party discovery. If ATC had raised this issue at the proper time, the parties could have conserved
2 resources by not having to revisit ground already covered. ATC has not shown the additional
3 discovery will be limited to the face of the government contracts. In fact, ATC has not even submitted
4 any of the contracts in support of its motion. The Court DENIES ATC's motion because granting the
5 motion would unfairly prejudice Presidio.

6 **CONCLUSION**

7 For the foregoing reasons, the Court DENIES ATC's motion for leave to amend.

8 **IT IS SO ORDERED.**

9 **DATED: May 19, 2009**

10 
11 **IRMA E. GONZALEZ, Chief Judge**
12 **United States District Court**
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

PRESIDIO COMPONENTS, INC.,)	Civil No. 08cv335 IEG (NLS)
)	
Plaintiff,	)	ORDER GRANTING IN PART AND
v.	)	DENYING IN PART AMERICAN
	)	TECHNICAL CERAMICS
AMERICAN TECHNICAL CERAMICS	)	CORPORATION'S MOTION FOR
CORPORATION,	)	LEAVE OF COURT TO ALLOW
	)	DEPOSITIONS OF PRESIDIO'S
Defendant.	)	EXPERT WITNESSES
_____)	
	)	[Doc. No. 70]
AMERICAN TECHNICAL CERAMICS)	
CORPORATION,)	
)	
Counterclaimant,)	
v.)	
)	
PRESIDIO COMPONENTS, INC.,)	
)	
Counterdefendants.)	
_____)	

I. INTRODUCTION

This is a patent infringement case involving U.S. Patent No. 6,816,356 ("The '356 patent"). Presidio Components, Inc. ("Presidio") filed suit against American Technical Ceramics Corporation ("ATC") alleging infringement of the '356 patent. [Doc. No. 1 at ¶ 10.] ATC filed a counterclaim alleging, inter alia, tortious interference with contractual relations. [Doc. No. 10 at pp. 11-12.]

Defendant/Counterclaimant ATC filed a Motion for Leave of Court to Allow Depositions of four expert witnesses designated by Plaintiff/Counterdefendant Presidio. [Doc. No. 70.] Because ATC has already taken more than ten (10) depositions in this case, Rule 30 requires ATC to obtain permission from either Presidio or the Court to take any additional depositions. Fed. R. Civ. P. 30(a)(2)(A)(i). In addition to seeking leave to take the expert depositions, ATC also requests that the expert discovery deadline and deadline for filing summary judgment motions be extended in order for ATC to take the requested depositions and prepare summary judgment motions after hearing the experts' testimony.¹ *Id.* at 1. Finally, one of the expert depositions that ATC seeks leave to take would be a second deposition of Dr. Ewell. Presidio opposes ATC's motion. [Doc. No. 72.]

II. RELEVANT FACTS

The original scheduling order applicable to this case was filed September 20, 2007.² [See Case No. 07cv893-IEG, Doc. No. 22.] On June 2, 2008, the parties filed a Joint Motion to Amend the Scheduling Order to extend all remaining deadlines in the case for thirty days. [Doc. No. 13.] On June 3, 2008, the Court issued a Scheduling Order Regulating Discovery and Other Pretrial Proceedings in this case. [Doc. No. 14.] On September 26, 2008, the parties filed a Joint Motion for Extension of Time to Complete Discovery and to Amend the Scheduling Order, asking to extend remaining deadlines for a period of seven weeks. [Doc. No. 35.] On October 1, 2008, the Court granted the joint motion and issued a First Amended Scheduling Order. [Doc. No. 37.] Then, on December 16, 2008—after the conclusion of fact discovery—the parties filed a third joint motion, this time asking that the Court again modify the scheduling order and extend pretrial discovery deadlines so that they could complete expert discovery. [Doc. No. 64.] The Court granted the motion and extended the deadline for submitting expert reports until January 23, 2009, the deadline for submitting supplemental expert reports until February 16, 2009, and the expert discovery cutoff until March 9, 2009. [Doc. No. 65.] On February 20, 2009, ATC filed this motion for leave to depose four of Presidio's expert witnesses. [Doc. No. 70.]

¹ATC filed its Motion for Summary Judgment on March 16, 2009 [Doc. No. 77]. The request to extend the summary judgment motion deadline is denied as moot.

²After a Claims Construction hearing and Order Construing Claims, the parties jointly moved to dismiss the first filed case and agreed that all proceedings in that case should apply in this second filed case. The court entered an order to that effect. [Case No. 07cv893-IEG, Doc. No. 66.]

1 To date, ATC has taken one expert deposition (Dr. Godshalk) on claim construction issues,
2 which pursuant to Patent L.R. 4.3 does not count against the presumptive ten deposition limit set by
3 Rule 30(a)(2)(A)(i), and eleven other depositions. *See* Fed. R. Civ. P. 30(a)(2)(A)(i), Mem Ps&As at 5.
4 Presidio, on the other hand, has taken at most eight depositions, including experts, and argues that it
5 purposely “tailored its discovery strategy” to ensure that it would not exceed the presumptive ten
6 deposition limit. Opp’n at 5.

7 ATC seeks the Court’s permission to depose the following four expert witnesses designated by
8 Presidio: (1) Dr. Wayne Huebner, technical expert; (2) Dr. Gary Ewell, technical expert; (3) Mr. Glenn
9 Newman, damages expert; and (4) Mr. Richard Killworth, Esq., patent prosecution practice and
10 procedure expert. Memo Ps&As at 2. ATC, likewise, has designated a damages expert, a patent
11 prosecution and procedure expert, and a technical expert. *Id.* Presidio elected to forego the deposition
12 of one of ATC’s three experts so that it would not run afoul of the ten deposition limit. Opp’n at 5, n. 3.

13 **III. LEGAL STANDARDS**

14 Federal Rule of Civil Procedure 26 governs the scope and limits of all discovery and is
15 particularly instructive as to how parties should plan for discovery. *See* Fed. R. Civ. P. 26(a)(2),(b),(f).
16 Rule 26 requires the parties to confer and develop a discovery plan “stat[ing] the parties’ views and
17 proposals on . . . what changes should be made in the limitations on discovery imposed under these
18 rules . . .” Fed. R. Civ. P. 26(f)(3)(E).

19 Rule 30 governs when a party needs permission to take a deposition and provides in relevant
20 part: “A party must obtain leave of court, and the court must grant leave to the extent consistent with
21 Rule 26(b)(2): if the parties have not stipulated to the deposition and. . .the deposition would result in
22 more than 10 depositions being taken under this rule or Rule 31 . . . [or] the deponent has already been
23 deposited in the case . . .” Fed. R. Civ. P. 30(a)(2)(A)(i-ii). The Advisory Committee Note to Rule
24 30(a)(2)(A) guides counsel for the parties to consider enlarging or reducing the number of depositions
25 permitted by Rule 30 at the initial planning meeting and again at scheduling conferences in order to
26 “eliminat[e] the need for special motions” such as the present motion. Fed. R. Civ. P. 30(a)(2)(A)
27 advisory committee notes, 1993 Amendments.

28 ///

1 When considering a motion for leave to take more than ten depositions, the Court must grant
2 leave to the extent consistent with Rule 26(b)(2), which provides pertinent part:

3 [T]he court must limit the frequency or extent of use of the discovery methods otherwise
4 allowed by these rules or by local rule if it determines that: (i) the discovery sought is
5 unreasonably cumulative or duplicative, or can be obtained from some other source that
6 is more convenient, less burdensome, or less expensive; (ii) the party seeking discovery
7 had ample opportunity to obtain the information by discovery in the action; or (iii) the
burden or expense of the proposed discovery outweighs its likely benefit, considering the
needs of the case, the amount in controversy, the parties' resources, the importance of the
issues at stake in the action, and the importance of the discovery in resolving the issues.
Fed. R. Civ. P. 26(b)(2)(c).

8 **IV. DISCUSSION**

9 ATC argues that Patent L.R. 4.3³ and the Case Management Order in this action exempt expert
10 depositions from the ten deposition limit prescribed by Fed. R. Civ. P. 30. *See* Memo Ps&As at 5. In
11 support of its argument, ATC quotes a portion of the Patent Local Rule that provides: "Fed. R. Civ. P.
12 30 applies to depositions taken pursuant to Patent L.R. 4.3, except as to experts." As Presidio points out,
13 the portion of the Patent Local Rule quoted by ATC must be read in conjunction with the rest of the rule
14 which allows for the further deposition of a claims construction expert "on all substantive issues." *Id.*
15 Thus, as Presidio contends, the Patent Local Rule could be read to provide an exception only to that
16 portion of Federal Rule 30 that precludes a witness from being deposed more than once without leave of
17 court. *See* Fed. R. Civ. P. 30(a)(2)(A)(ii); Opp'n at 6. On the other hand, Patent L.R. 4.3 could be read
18 to exclude expert witnesses from the presumptive ten deposition limit of Rule 30, particularly in light of
19 the complexity of many patent cases and the absence of case law or commentary to Rule 30 itself as to
20 whether expert witnesses are included in the ten deposition limit. *See* Opp'n at 6-7.⁴ The Court need
21 not decide the issue here. Rather, it need only follow Rule 30(b)(2)'s directive that leave to take
22 additional depositions be granted to the extent consistent with Rule 26(b)(2).

23
24 ³Patent L.R. 4.3 Completion of Claim Construction Discovery: "... Fed. R. Civ. P. 30 applies to
25 depositions taken pursuant to Patent L.R. 4.3, except as to experts. An expert witness identified in a
26 party's Joint Hearing Statement pursuant to Patent L.R. 4.2.c, may be deposed on claim construction
issues. The identification of an expert witness in the Joint Hearing Statement may be deemed good
cause for a further deposition on all substantive issues." Patent L.R. 4.3.

27 ⁴Expert depositions are governed by Fed. R. Civ. P. 26(b)(4)(A) which provides in pertinent part:
28 "A party may depose any person who has been identified as an expert whose opinions may be presented
at trial" The ten deposition limit in Rule 30(a)(2)(A)(i), however, is directed to depositions taken
under Rule 30 and 31; not depositions of experts taken under Rule 26(b)(4). Expert depositions may or
may not be subsumed in Rule 30(a)(1)'s broad reference to "any person."

Depositions of Dr. Huebner, Mr. Newman, and Mr. Killworth

ATC argues that the discretionary factors identified in Rule 26(b)(2) support a decision granting it leave to take the depositions of Presidio's four designated expert witnesses. Memo Ps&As at 6-8. In support of its argument, ATC claims that: (1) the experts' opinions and the bases for those opinions are not discoverable from any other source; (2) expert discovery only opened on February 17, 2009, therefore, ATC has not had an opportunity to obtain the information it now seeks; and (3) the resolution of this case will turn on the subjects Presidio's experts testify about, thus, without the opportunity to depose these witnesses ATC will be denied its right to a fair trial. *Id.* at 7-8.

ATC is mistaken that the expert's opinions and bases therefore are not otherwise discoverable. Rule 26(a)(2)(B) requires that each of Presidio's testifying experts prepare and submit a complete and detailed report stating the testimony that they plan to present at trial, as well as the bases for that testimony. Accordingly, the opinions of these experts should already be known to ATC. Rule 26(b)(4) does permit depositions of testifying experts after the expert's report is prepared, but the purpose of this rule is to reduce the length of expert depositions, or ideally, entirely eliminate the need to take an expert's deposition. *See* Fed. R. Civ. P. 26(a)(2) advisory committee notes, 1993 Amendments.

On the other hand, in cases where expert testimony is central to the claims, such as in the present case, expanded discovery of expert trial witnesses often will result in better cross-examination and rebuttal at trial. *Id.* at 26(b)(4) advisory committee notes, 1993 Amendments. Depositions of expert witnesses has become standard practice in most courts. *See* Fed. R. Civ. P. 26(b)(4)(a) advisory committee notes, 1993 Amendments. Allowing depositions of Dr. Huebner, Mr. Newman, and Mr. Killworth would be neither unreasonably cumulative nor duplicative since ATC has not deposed any of these expert witnesses, and no other experts have testified on the subjects that these experts will testify about. *See* Fed. R. Civ. P. 26(b)(2). In addition, Presidio has not offered any evidence that any of the requested depositions would be unreasonably cumulative or duplicative, or could be obtained from a more convenient and less burdensome source.

Though it is true that ATC could not depose Presidio's designated experts before each expert's written report was prepared, ATC is incorrect in its assertion that "expert discovery only opened . . . on February 17, 2009." Memo Ps&As at 7. Presidio's initial expert reports on infringement and damages

1 were due on January 23, 2009. *See* Amended Scheduling Order [Doc. No. 65]. Accordingly, ATC
2 could have noticed these depositions in January when the initial expert reports were submitted.
3 Moreover, when the parties sought the third modification to the scheduling order on December 16, 2008,
4 ATC had taken ten depositions and was well aware of the anticipated number of expert reports and their
5 corresponding due dates. Memo Ps&As at 4, Ex. A. Thus, it is misleading for ATC to argue the “issue
6 of expert depositions only became ripe now” and “could not have brought it to the Court’s attention
7 earlier.” *Id.* at 4.

8 Particularly troubling is ATC’s statement that “it saw no need to engage in hypothetical
9 discussions with Presidio regarding the presumptive 10-deposition limit” until the eve of the case’s
10 discovery deadline. *Id.* at 2. In fact, such discussions are exactly what the rules governing discovery
11 anticipate. Rule 16 states that provisions to modify the number or length of depositions permitted under
12 the rules should be considered before the initial scheduling order is issued. *See* Fed. R. Civ. P. 16
13 advisory committee notes, 1993 Amendments. In fact, the objective of Rule 30 is to highlight the
14 obligation of counsel to develop a “mutual cost-effective plan for discovery in the case.” Fed. R. Civ.
15 P. 30 advisory committee notes, 1993 Amendments. “Consideration should normally be given at the
16 planning meeting of the parties under Rule 26(f) and at the time of a scheduling conference under Rule
17 16(b) as to enlargements or reductions in the number of depositions, eliminating the need for special
18 motions.” *Id.* ATC, as the party requesting more depositions, should have raised the issue with Presidio
19 or the Court as soon as it became aware of the strong likelihood that this case would require more than
20 ten depositions. However, it is unlikely the depositions would go forward without a court order given
21 Presidio’s view of the ten deposition limit. Therefore, the Court cannot conclude ATC had ample
22 opportunity to obtain the information.

23 Despite ATC’s failure to appropriately plan for and time discovery in this case, when
24 considering the need for expert discovery in light of the principles articulated in Rule 26(b)(2), the likely
25 benefit of the requested discovery outweighs the burden or expense of going forward with the
26 depositions primarily because of the importance of expert testimony in patent cases. “Rule 26(b)(4) was
27 designed to permit the parties to prepare adequately for cross-examination prior to trial and to avoid any
28 surprises or other delays during the trial.” *Weekley v. Transcraft, Inc.*, 113 F.R.D. 683, 684 (1987).

1 Furthermore, because the expense of taking these expert depositions is borne by the party seeking
2 discovery—ATC—the burden on Presidio is less critical than ATC's need for the depositions. *See* Fed.
3 R. Civ. P. 26(b)(4)(C)(i) advisory committee notes, 1993 Amendments. After fully considering the
4 criteria in Rule 26(b)(2) and the circumstances of the case, permitting a limited number of specified
5 expert depositions is consistent with the principles stated in the rule.

6 **Second Deposition of Dr. Ewell**

7 Rule 30(a)(2)(A)(ii) requires a party to obtain leave of court before deposing a person that has
8 already given a deposition in the case. Absent a showing of good cause, generally the court will not
9 require a witness to appear for another deposition. *See Cuthbertson v. Excel Indus., Inc.*, 179 F.R.D.
10 599, 604-605 (D. Kan. 1998) (quoting *Sentry Ins. v. Shivers, et. al.*, 164 F.R.D. 255 (D. Kan. 1996)).
11 ATC is requesting leave to depose Presidio's expert, Dr. Ewell, a second time. Reply at 6.⁵

12 ATC deposed Dr. Ewell on August 1, 2008, and the main topic of the deposition was the
13 declaration he submitted in opposition to ATC's motion for summary judgment. Opp'n at 4. Now ATC
14 wants to depose Dr. Ewell in connection with the rebuttal report he recently submitted regarding validity
15 of the '356 patent. Memo Ps&As at 1. ATC argues that it should not be foreclosed from taking Dr.
16 Ewell's deposition a second time because additional depositions of expert witnesses are permitted when
17 a deposition is taken in consideration of a subsequent expert report. *Id.* at 6. ATC cites to *Ice Corp. v.*
18 *Hamilton Sundstrand Corp.*, 2007 U.S. District LEXIS 39699 *1, (D. Kan. May 30, 2007), as support
19 for its position. *Ice Corp.*, however, involved facts quite different to those at issue here. In *Ice Corp.*,
20 the expert witness submitted his initial report on January 15, 2007, and was deposed April 4, 2007. *Id.*
21 On April 16, 2007, the expert submitted a supplemental report containing new opinions not stated in the
22 January report and not the subject of questioning at his deposition. *Id.* at *3-4. In contrast, Dr. Ewell's
23 rebuttal report addresses the '356 patent—the same subject about which he gave a declaration and
24 deposition previously. *See* Doc. No. 23, Ex. 4; *see also* Doc. No. 31.⁶

25 ///

26 _____
27 ⁵This is not a request by ATC for a "further deposition" of Dr. Ewell pursuant to Patent L.R. 4.3.
Dr. Ewell was not designated and did not give a deposition as a claims construction expert.

28 ⁶ATC has not demonstrated either that it did not, or could not cover the topic of invalidity during
Dr. Ewell's first deposition.

1 The other case ATC cites to support its argument, *Express One Int'l, Inc. v. Sochata*, is also
2 inapposite. In *Express One*, the court granted leave permitting a second deposition because the subject
3 of the first expert deposition was solely jurisdictional. 2001 WL 363073 *1, 3 (N.D. Tex. March 2,
4 2001). In contrast, Dr. Ewell's first deposition was about the same substantive issue—the '356
5 patent—that ATC wants to question him about now. Memo Ps&As at 1.

6 In seeking leave from the Court to depose Dr. Ewell again, ATC has not demonstrated that the
7 benefit of subjecting Dr. Ewell to a second deposition would outweigh the burden and expense. Further,
8 ATC has failed to show it will be prejudiced at trial, having already deposed Dr. Ewell in connection
9 with a summary judgment motion. Accordingly, ATC's Motion for Leave to allow a second deposition
10 of Dr. Ewell is denied.

11 **Sanctions**

12 ATC argues that it should be granted fees and costs for having to bring this motion for leave of
13 court. *Id.* at 9. While the Court agrees that special motions such as the present one can generally be
14 avoided, Presidio's objection to ATC exceeding the clear limits on depositions as set by the Federal
15 Rule 30 is substantially justified given the ambiguity in the Rules as to whether the ten deposition limit
16 applies to experts. Moreover, ATC could have raised the issue at any time during the numerous
17 scheduling conferences in this case. Pursuant to Rule 37 and its requirement that the Court "must not"
18 order sanctions if "the opposing party's . . . objection was substantially justified," ATC's request is
19 denied. Fed. R. Civ. P. 37(a)(5)(A)(ii).

20 **IV. CONCLUSION**

21 For the foregoing reasons, it is hereby ordered that:

22 (1) ATC's Motion for Leave to Allow Depositions of Presidio's Experts is **Granted** with respect
23 to Dr. Huebner, Mr. Newman, and Mr. Killworth, Esq.;

24 (2) ATC must bear the expense of the experts' fees for the preparation for and taking of
25 depositions;

26 (3) ATC's Motion for Leave to Allow the Deposition of Dr. Ewell is **Denied**; and

27 ///

28 ///

1 (4) ATC may take the depositions of Dr. Huebner, Mr. Newman, and Mr. Killworth after the
2 expert discovery deadline.

3 **IT IS SO ORDERED**

4 DATED: March 25, 2009



Hon. Nita L. Stormes
U.S. Magistrate Judge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

PRESIDIO COMPONENTS, INC.,) Civil No. 08cv335 IEG (NLS)
Plaintiff,)
v.) **ORDER GRANTING IN PART AND**
AMERICAN TECHNICAL CERAMICS) **DENYING IN PART PRESIDIO'S**
CORPORATION,) **MOTION TO COMPEL**
Defendant.) [Doc. No. 60]
_____)
AMERICAN TECHNICAL CERAMICS)
CORPORATION,)
Counterclaimant,)
v.)
PRESIDIO COMPONENTS, INC.,)
Counterdefendants.)
_____)

Plaintiff, Presidio Components, Inc. ("Presidio") filed this motion to compel Defendant American Technical Ceramics Corp. ("ATC") to provide responses to certain requests for production ("RFPs"). Presidio's motion to compel also requests ATC to produce Mr. Joseph Tierney for deposition in his capacity as an ATC 30(b)(6) designee. ATC opposes, arguing that it properly responded to all the subject discovery requests by: (1) specifically responding to the request; (2) stating that no documents were available; or (3) agreeing to produce responsive documents by January 16, 2009; and (4) further agreeing to supplement these responses if any additional responsive documents are located. (Opp'n, Ex.

2 at 2-3.) Finally, ATC agreed to produce Mr. Tierney for deposition on January 20, 2009. In Presidio's
reply to ATC's opposition, Presidio continues to challenge the adequacy of ATC's search and
production of documents insofar as ATC limits its production of documents relevant to the counterclaim
by excluding internal ATC documents and documents generated before January 1, 2007. The Court took
this matter under submission without oral argument.

Relevant Facts

ATC's counterclaim for interference with contractual relations is the central issue in the motion
to compel responses to certain RFPs. ATC's counterclaim alleges that during the spring of 2007,
Presidio knew that ATC had ongoing relationships and supply contracts for its 545L capacitors with a
number of companies. (Answer ¶ 58.) ATC argues, that at the same time, Presidio's customers began
expressing interest in ATC's 545L capacitor and as a result Presidio felt threatened about potential
market loss and increased competition. (*Id.* at ¶ 60.) ATC believes that Presidio filed this patent
infringement lawsuit with the intent to interfere with ATC's existing customer relationships. (*Id.*) On
June 26, 2007, Presidio issued a news release publicizing the lawsuit and expressing Presidio's desire to
end all future sales of ATC's 545L series products and collect damages for already sold capacitors. (*Id.*
at ¶ 61.) According to ATC, when Presidio filed this lawsuit and issued the news release, ATC
experienced a significant decrease in sales of its 545L capacitors. (*Id.* at ¶ 63-64.) In RFPs 3, 7, and 10,
Presidio requests documents relevant to ATC's claim that Presidio interfered with certain ATC business
relations. (Memo P.&A. at 4.) Presidio expects that responsive documents will either support or refute
ATC's allegation. (*Id.* at 5.)

For the following reasons, the Court **GRANTS in part** and **DENIES in part** Presidio's motion
to compel.

Documents Relating to Presidio's Alleged Interference with Contractual Relations

In RFPs 3, 7, and 10, Presidio seeks documents relating to ATC's contractual relations with
customers ATC alleges Presidio interfered; including correspondence and contracts with those
customers. (Mem. P.&A. at 4-5.) The RFPs read as follows:

RFP 3: All documents and things that refer or relate to all contractual
relations between ATC and those entities with whom Presidio
allegedly interfered, including but not limited to all
correspondence, agreements, and contracts with those entities.

RFP 7: All documents that refer or relate [*sic*] each and every person employed by those entities having a contractual relation with ATC that was purportedly interfered with by Presidio, with whom ATC has had any contact since January 1, 2007.

RFP 10: Of the customers having a contractual relation with ATC that was allegedly interfered with by Presidio, produce all documents consisting of or referring to a communication [*sic*] between any employee of such customers and ATC *since January 1, 2007* (emphasis supplied).

(*Id.* at Ex. B.)

ATC states that it has already produced documents responsive to the above, and has further agreed to supplement those productions in the event additional responsive documents are located after a reasonable search. (Opp'n at 2; Opp'n, Ex. 2.) Moreover, ATC agreed to produce all communications since January 1, 2007, between ATC and the customers with which Presidio allegedly interfered, including communications about products other than the 545L capacitor. (*Id.*) ATC anticipated producing the documents on or before January 16, 2009. (*Id.*)

In its Reply in Support of Plaintiff's Motion to Compel ('Reply'), Presidio claims that based on RFPs 3, 7, and 10, ATC should be compelled to produce:

[A]ll documents relating to and communicated between those customers with whom Presidio allegedly interfered, regardless of whether they relate to the 545L capacitor. This includes, but is not limited to all communications with these customers. This also includes all internal ATC documents relating to these customers, including but not limited to all sales information, internal communications, and employee notes. Such responsive documents are not limited only to those generated after January 1, 2007.

(Reply at 3-4.) Presidio, however, did not serve specific discovery requests like the one identified above.

RFPs 7 and 10

ATC first served responses to these requests on October 24, 2008. (Memo P.&A., Ex. B.) At that time ATC generally objected to RFP No. 3 because Presidio failed to provide any limit to the date range of the documents Presidio sought. (Memo P.&A., Ex. B at 1, ¶ 14.) By contrast, RFPs 7 and 10 include the language: "since January 1, 2007." (*Id.* at 5, ¶ 19; p. 7 ¶ 21.) ATC's interpretation that these two demands seek documents created after January 1, 2007, is wholly reasonable, and it is not the Court's responsibility to redraft Presidio's discovery demands when presented with a Motion to Compel. The responding party need only produce the documents demanded when the discovery was propounded. ATC cannot be ordered to turn over documents that Presidio did not specifically ask for until it filed its

1 Reply. (*See* Reply at 3-4.)

2 The same analysis applies to Presidio's broad request in RFPs 7 and 10 for ATC's internal
3 documents relating to the pertinent customers. Presidio's RFPs do not ask for all of ATC's
4 documents—both internal and external—that relate to these customers. (Memo P.&A., Ex. B.) Instead,
5 RFP 7 asks for a narrow category of documents regarding people employed by these customers “with
6 whom ATC has had any contact since January 1, 2007,” and RFP 10 seeks documents between or
7 referring to communications *between* ATC and these customers. (*Id.*) The Court will not compel ATC to
8 respond with documents that were never asked for.

9 Therefore, the Court **DENIES** Presidio's motion to compel further responses to RFPs 7 and 10
10 beyond what ATC has agreed to and the Court now **ORDERS** produced by January 30, 2009.

11 **RFP 3**

12 As drafted, RFP 3 does not support ATC's decision to limit its production to documents created
13 after January 1, 2007. However, due to Presidio's failure to restrict its request to a reasonable time
14 frame, RFP 3 is overly broad. At a minimum Presidio should limit the request to documents created
15 within two years of the date—May 17, 2007—Presidio filed the patent infringement suit against ATC.
16 (*See* Pl.'s Comp., Ex. D.) Although ATC's counterclaim alleges that Presidio interfered with the
17 existing relationships between ATC and the subject customers, requiring ATC to search for, and
18 produce documents going back any further than the spring of 2005 does not appear “reasonably
19 calculated to lead to the discovery of admissible evidence” relevant to Presidio's defense to ATC's
20 counterclaim. (Answer at 11; FED. R. CIV. P. 26(b)(1).)

21 Similarly, RFP 3 is not drafted in such a restrictive manner that it would exclude ATC's internal
22 documents relating to the contractual relations between ATC and the subject customers. Presidio
23 included the specific language: “refer or relate to all contractual relations....” (Memo P.&A., Ex. B.)
24 ATC's interpretation that RFP 3 only asks for communications *between* ATC and the affected customers
25 does not follow the plain language of Presidio's request.

26 Therefore, Presidio's motion to compel responses to RFP 3 is **GRANTED**. ATC shall produce
27 responsive documents on or before February 25, 2009.

28 ///

Documents Mentioning or Referring to Fringe Effect and Fringe Effect Capacitance

RFPs 13-15 seek documents mentioning or referring to fringe, fringe effect, fringe effect capacitance, and derivatives of those words. In its letter dated December 16, 2008, ATC confirmed that it had searched its files for documents containing the above words and derivatives of those words. (Opp'n, Ex. 2.) Accordingly, ATC produced documents following that search. ATC reconfirmed this search and corresponding production in its Opposition.¹ (*Id.* at 3.)

Therefore, the Court **DENIES** Presidio's motion to compel responses to RFPs 13-15.

30(b)(6) Deposition of Mr. Joseph Tierney


ATC agreed to produce Mr. Tierney for deposition as a 30(b)(6) witness on January 20, 2009, and this deposition should go forward. Therefore the Court **GRANTS** Presidio's motion to compel Mr. Tierney's 30(b)(6) deposition.

Presidio's Alleged Noncompliance with the Court's Order on November 10, 2008

ATC's Opposition to Plaintiff's Motion to Compel also asks the Court to order compliance with an order granting a motion to compel in a previous discovery dispute. (Opp'n at 1.) ATC claims that Presidio, in violation of this Court's order, has not produced certain JDSU capacitor samples from 2000-2003. (*Id.*) Although ATC's opposing brief is not the proper procedural vehicle to request the Court's assistance, the Court is troubled by any allegation that a party has not complied with an earlier order. This order will serve as a reminder that the Court may issue any manner of sanctions provided for in 37(b)(2) for a party's failure to obey the Court's previous discovery orders. FED. R. CIV. P. 37(b)(2).

IT IS SO ORDERED.

DATED: January 23, 2009


Hon. Nita L. Stormes
U.S. Magistrate Judge
United States District Court

¹Neither Presidio's moving papers or Reply provide the Court with ATC's responses to these RFPs. ATC clearly represents that files have been searched and all responsive documents produced to Presidio. Because the Court has no information indicating otherwise, there is no basis to grant this motion.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

PRESIDIO COMPONENTS, INC.,	)	Civil No. 08cv335 IEG (NLS)
)	
Plaintiff,	)	ORDER:
v.)	
	)	(1) GRANTING PRESIDIO'S MOTION
AMERICAN TECHNICAL CERAMICS	)	TO QUASH DEFENDANT'S
CORPORATION,	)	OBJECTIONS TO DISCLOSURE TO
	)	EXPERTS [Doc. No. 34]; and
Defendant.)	
	)	(2) DENYING ATC'S MOTION TO
	)	DISQUALIFY DR. EWELL
AMERICAN TECHNICAL CERAMICS	)	[Doc. No. 41].
CORPORATION,)	
)	
Counterclaimant,)	
v.)	
)	
PRESIDIO COMPONENTS, INC.,)	
)	
Counterdefendants.)	
)	

Plaintiff Presidio Components, Inc. (Presidio) filed a motion to quash certain objections of Defendant American Technical Ceramics Corp. (ATC) to Presidio's disclosure of experts. Presidio argues that ATC's objections are frivolous and lack reasonable justification, and are meant to unduly delay this lawsuit. ATC opposes the motion. In conjunction with its opposition to the motion to quash, ATC filed a motion to disqualify Presidio's designated expert, Dr. Ewell. ATC argues that Dr. Ewell should be disqualified due to a conflict of interest and appearance of impropriety. Presidio opposes the motion to disqualify.

1 The Court reviewed all records related to both motions and determined it could decide the
2 motions based on the papers and without oral argument. For the reasons set forth below, the Court
3 **GRANTS** Presidio's motion to quash and **DENIES** ATC's motion to disqualify Dr. Ewell.

4 **Relevant Facts.**

5 Presidio told ATC on August 11, 2008 that it intended to disclose to its expert witnesses
6 confidential and/or attorney's eyes only information that ATC produced in discovery. Mem. Ps&As,
7 Ex. A. The three experts, Dr. Gary Ewell, Dr. Wayne Huebner and Mr. Glenn Newman, each executed
8 an agreement to be bound by the Protective Order. Presidio sent ATC a detailed curriculum vitae (CV)
9 for each of the experts. Those CVs disclose each expert's title, job responsibilities and affiliations. *Id.*
10 Presidio claims they also disclose each expert's employment, consulting history for the past five years
11 and the subject matter of any consultations. ATC disagrees that Dr. Huebner's CV discloses the subject
12 matter of his consultations for the past five years.

13 In brief, Dr. Gary Ewell has extensive experience regarding testing of multi-layer capacitors. He
14 intends to provide testimony regarding the validity of the '356 patent and infringement of the '356
15 patent by ATC's 545L capacitor. Dr. Ewell has already been deposed in this case. Dr. Wayne Huebner
16 is an expert in multi-layer capacitors and the materials used in them, including ceramics. He may
17 provide testimony regarding infringement of the '356 patent by ATC's 545L capacitor. Mr. Glenn
18 Newman is a CPA expected to provide expert financial testimony.

19 On August 25, 2008, ATC objected to the disclosure to Presidio's three experts of information
20 that ATC had designated confidential and attorney's eyes only. Mem. Ps&As, Ex. B. ATC objected
21 because (1) the CVs did not disclose the past five years of consulting work for the three experts or the
22 subject matter of their engagements; and (2) there is no need to disclose the information to both Drs.
23 Ewell and Huebner.

24 On September 2, 2008, Presidio identified a single additional consultation for Dr. Ewell and one
25 for Dr. Huebner that were not listed in their CVs. Presidio gave ATC a detailed list of every
26 consultation with which Mr. Newman had any connection over the last five years. Mr. Newman
27 specifically represented that he had no conflict with any party involved in this matter. Mem. Ps&As,
28 Ex. C. After receiving this new information, ATC withdrew its objection to Mr. Newman having access

1 to confidential information regarding ATC's sales, finance and marketing, so that he may prepare
2 Presidio's damages report. *Id.* ATC maintained the objection, however, regarding Mr. Newman's
3 access to its confidential technical documents. *Id.* Presidio acknowledged that ATC withdrew its
4 objection, and does not appear to argue that Mr. Newman should have access to ATC's confidential
5 technical information. In addition, ATC raised a new objection that Dr. Ewell may have a conflict of
6 interest due to his employment with the Aerospace Corporation. Mem. Ps&As, Ex. D.

7 The three issues remaining for this Court to resolve are whether (1) Dr. Huebner should have
8 access to ATC's confidential information as a result of incomplete disclosure; (2) access to ATC's
9 multilayer capacitor confidential information should be allowed for Presidio's two technical experts,
10 Drs. Huebner and Ewell; and (3) Dr. Ewell should be disqualified for a conflict of interest or an
11 appearance of impropriety due to his affiliation with the Aerospace Corporation.

12 **Discussion.**

13 **1. Dr. Huebner's Access to ATC's Confidential Information.**

14 ATC complains that the supplemental disclosure of consulting work for Dr. Huebner did not cure
15 Presidio's initial alleged non-compliance with the disclosure requirements. ATC says that the
16 consulting history provided in Dr. Huebner's CV includes only a selected list of companies for which he
17 consulted and does not specify "the subject matter of such engagements." The CV also mentions "72
18 research contracts" sponsored by different named entities, but again does not specify the subject matter
19 of that research. Without such information, ATC argues it cannot determine whether Dr. Huebner is in a
20 position to inadvertently use or disclose its confidential information. ATC asks that the Court compel
21 Presidio to make an additional disclosure regarding Dr. Huebner's consulting work in the last five years
22 and state its subject matter.

23 The Protective Order requires that a party that wishes to disclose confidential information to an
24 expert notify all counsel, in writing, of the intent to disclose. "[T]he notice shall also include the
25 person's resume, curriculum vitae or other information *adequate* to disclose the person's employment
26 and consulting history for the past five (5) years, including the subject matter of such engagements."
27 Protective Order, Opp'n Ex. 1 ¶ 10(b) (emphasis added).

28 This Court finds that Dr. Huebner's CV, along with the supplemental letter from Presidio to

1 ATC, provides ATC with the necessary information to determine if there is any risk of disclosure of
2 ATC's confidential information by Dr. Huebner. Dr. Huebner's CV includes information on his
3 education, academic experience, honors and awards, professional societies, publications, conferences,
4 books, patents, research accomplishments, Ph.D students, M.S. students, support to associates and
5 professors, teaching techniques, courses taught, professional service and personal service. Mem.
6 Ps&As, Ex. A. The CV discloses the identities of companies for which he performed research contracts
7 and consultations. *Id.* at 12, 23. While the subject matters of Dr. Huebner's engagements are not listed
8 next to each specific company identified, the other sections of his CV identify the subject matter of his
9 research and work. Further, ATC has not objected to any of the companies identified.

10 Also, Presidio has already confirmed that Dr. Huebner has no other consulting history for the
11 past five years except for a single additional consultation, which Presidio already identified to ATC.
12 Mem. Ps&As, Ex. C. Finally, if Dr. Huebner did disclose confidential information to a prohibited
13 person or entity under the protective order, ATC has a remedy to address that disclosure because Dr.
14 Huebner executed an agreement to be bound by the Protective Order and is thus bound by its terms.

15 The Court finds Dr. Huebner's CV, and Presidio's additional disclosure about his CV, to provide
16 information adequate to disclose Dr. Huebner's consulting history, including subject matters, for the
17 past five years. Therefore, this Court finds no grounds to order Presidio to make an additional
18 disclosure tying the subject matter of Dr. Huebner's work to a specific company, nor grounds to compel
19 Presidio to make an additional disclosure regarding Dr. Huebner's consulting work in the last five years.

20 **2. Access to ATC's Confidential Information for Presidio's Two Technical Experts.**

21 ATC objects to the duplicative disclosure of its confidential information to Presidio's two
22 technical experts, Drs. Ewell and Huebner. ATC relies on *Carpenter Tech. Corp. v. Armco, Inc.*, 132
23 F.R.D. 24, 28 (E.D. Pa. 1991), where the court refused to grant access to confidential information for
24 both in-house counsel because the plaintiff did not satisfactorily explain why they must both have
25 access. ATC also relies on *In re Papst Licensing, GmbH, Patent Litig.*, 2000 U.S. Dist. LEXIS 6374
26 (E.D. La. 2000), which held that a patent prosecutor seeking access to an adversary's confidential
27 information presented too great a risk of inadvertent disclosure because that attorney acted as a
28 competitive decisionmaker regarding the company's patent prosecutions. Here, ATC is concerned that

1 because each expert will likely be assisted by others, the risk of inadvertent disclosure through others is
2 even greater, given the larger number of recipients. ATC argues that Presidio's "unexplained need for
3 multiple access must be balanced against ATC's need to reasonably protect its Confidential
4 Information." Opp'n, p.5.

5 The Court disagrees with use of ATC's proposed balancing test to determine whether the
6 confidential information should be disclosed. First, ATC assumes that Presidio, by using two technical
7 experts, will seek to present duplicative infringement testimony at trial. Opp'n, p.5. At this point, the
8 Court finds no basis on which to make such an assumption. Presidio represents that Dr. Ewell, who has
9 extensive experience regarding the testing of multi-layer capacitors, will testify regarding validity of the
10 '356 patent and infringement of the '356 patent by the 545L capacitor. Presidio's Reply, p.14. Presidio
11 represents that Dr. Huebner, who has extensive experience regarding multi-layer capacitors and the
12 relationship between capacitor performance and materials used in them, including ceramics, may testify
13 regarding the use of materials and ceramics for use in multi-layer capacitors and infringement of the
14 '356 patent by the 545L capacitor. *Id.* at 14-15. Presidio selected Drs. Huebner and Ewell based on
15 their respective, and different, expertise.

16 Second, the Court does not agree with ATC that Presidio needs to explain to ATC why its
17 technical experts need to access ATC's confidential information. ATC acknowledges that its
18 confidential information is relevant to the issue of infringement. Opp'n, p.6. Further, case law
19 recognizes that the commercial success of an infringing product, failure of other products and copying
20 may be relevant to the issue of validity. *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17-18
21 (1966) (finding commercial success and internal failures may be relevant to the obviousness or non-
22 obviousness of the product); *Allen Eng'g Corp. v. Bartell Indus.*, 299 F.3d 1336, 1351 (Fed. Cir. 2002)
23 (stating "copying may have relevance not on infringement but on validity as one of a number of 'indicia
24 of obviousness or nonobviousness'").

25 Third, ATC's need to reasonably protect its confidential information is already addressed by
26 both experts executing agreements to be bound by the Protective Order. Because both experts are bound
27 by the terms of the Protective Order, if there is an improper disclosure, ATC has remedies. Finally,
28 ATC bases its argument on case law that relates to the disclosure of confidential information to in-house

1 counsel and outside counsel that prosecute patent applications. The Court finds the cases inapposite
2 because disclosure to counsel in those cases hinged on whether the counsel at issue were competitive
3 decisionmakers. Here, the two technical experts are not competitive decisionmakers for Presidio.

4 For these reasons, the Court finds that Presidio's two technical experts may access ATC's
5 confidential and attorney's eyes only information.

6 **3. Disqualification of Dr. Ewell.**

7 ATC moves to disqualify Dr. Ewell as ATC's expert. Dr. Ewell has already participated
8 substantively in this case. He submitted a declaration in support of Presidio's opposition to ATC's
9 motion for summary judgment, and ATC deposed him regarding his declaration. ATC says that in his
10 deposition, Dr. Ewell testified he is retired from full-time employment but currently works part-time for
11 Aerospace Corporation.¹ ATC understands Dr. Ewell to be a current, part-time Aerospace employee.
12 Opp'n, p.7 n.5. It also understands that Aerospace Corporation is part of the U.S. Government because
13 it believes Dr. Ewell to be a "government auditor and tester." Opp'n, p.7. ATC argues that Dr. Ewell's
14 engagement as Presidio's expert witness poses both a personal and an organizational conflict of interest,
15 because Dr. Ewell is "a government inspector . . . taking sides in a private dispute between two current
16 government suppliers." Opp'n, pp.8, 9. Further, ATC argues that due to Dr. Ewell's "employment by
17 the Government" and service as Presidio's witness, ATC will be denied a fair trial.

18 Presidio argues that ATC has fabricated a potential conflict of interest regarding Dr. Ewell and
19 his employment with Aerospace Corporation. First, it argues that, as Dr. Ewell stated in his deposition,
20 he is no longer an Aerospace employee. Second, Presidio says that ATC cannot point to a single project
21 or contract that could possibly result in a conflict of interest. Further, Dr. Ewell has confirmed under
22 oath that there is no current conflict, nor could there be a future conflict, due to his relationship with
23 Aerospace Corporation. Finally, Presidio argues that ATC will not be prejudiced at trial because Dr.
24 Ewell has never been a government employee, as the Aerospace Corporation is not a branch of the U.S.
25 Government.

26 ///

27
28 ¹ATC cites to Dr. Ewell's deposition and includes portions of it as Exhibit 5 to its motion, but
does not include in the exhibit the page they cite to for this quote.

1 **A. Conflict of Interest.**

2 Aerospace Corporation has specific policies governing personal conflicts of interest:

3 6. The corporation's standard of conduct includes any potential or
4 apparent conflicting interest in, profit from, or personal business
5 relationship with, any organization that has a contractual **or business**
6 relationship with The Aerospace Corporation or its customers, or has a
7 proposal pending for any contract or subcontract.

8 ***6.1 Organizations of interest also include those over which the***
9 ***corporation may exercise some degree of review or oversight in the***
10 ***course of performing its contracts for Government customers, including***
11 ***without limitation, those principal associate contractors of the Air Force***
12 ***Space and Missile Systems Center and other U.S. Government***
13 ***organizations that interface with the corporation on a regular basis and***
14 ***who are included in the corporation's Conflict of Interest Listing***
15 ***available online at***
16 ***http://infodev2.aero.org/hr/resources/COI_listing.pdf***

17 Ex. 7, Aerospace Employee Conduct - Conflict of Interest (emphasis in original).

18 Aerospace Corporation also has specific policies governing organizational conflicts of interest:

19 Organizational conflicts of interest are those that can arise as a result of
20 the corporation doing business with contractors that compete against each
21 other or performing services for customers over which Aerospace may
22 also exercise oversight responsibility in performing its traditional role for
23 its government customers. It is the fundamental policy of The Aerospace
24 Corporation that, where an organizational conflict of interest cannot be
25 eliminated or mitigated to the satisfaction of the parties involved, the
26 corporation will decline to accept or will recuse itself from performing the
27 conflicted services.

28 Ex. 9, Aerospace Organizational Conflict of Interest.

 ATC argues that a personal conflict of interest stems from Dr. Ewell's "personal business
relationship with" Presidio because he is profiting from Presidio as its expert witness. It says this
relationship is improper because Aerospace "exercise[s] some degree of review or oversight [over
Presidio] in the course of performing its contracts for Government customers," due to Presidio supplying
capacitors to large government defense contractors. Opp'n, p.9. ATC argues there is also an
organizational conflict because Dr. Ewell's involvement in this case deviates from his responsibility to
avoid conflicts of interest and appearances of impropriety.

 The Court does not find a personal conflict of interest based on Dr. Ewell's past employment
with or current consulting services for Aerospace Corporation. First, Dr. Ewell retired from Aerospace
more than one year ago. Presidio Reply, Ex. C, Ewell Decl. ¶ 4. Before he accepted to serve as

1 Presidio's expert witness, he confirmed there would be no conflict of interest or appearance of conflict
2 of interest based on the fact that he was formerly an Aerospace employee. *Id.* at ¶ 9. Dr. Ewell
3 disclosed to Aerospace that he was considering serving as Presidio's expert witness for this matter, and
4 Aerospace did not disapprove. *Id.*

5 Second, Dr. Ewell currently provides only limited consulting services for Aerospace. *Id.* at ¶ 5.
6 He is paid hourly for those services. *Id.* Those consulting services "relate solely to government
7 specifications for satellite applications. None of the consulting services . . . relate to commercial
8 projects." *Id.* at ¶ 6. In particular, none of these services have related to or involved ATC, Presidio, or
9 their products. *Id.* at ¶ 7. Further, ATC does not cite to any convincing evidence that Dr. Ewell is
10 actually a part-time Aerospace employee. It only points to Dr. Ewell's statement that on Monday
11 through Thursday of the week he was deposed, he had done some work for Aerospace--which to ATC--
12 did "not even sound like part-time or 'limited consulting services' as Presidio claims." ATC Reply, p.3.
13 ATC's impression alone is not enough to conclude that because Dr. Ewell worked for four days on an
14 Aerospace commitment, he is somehow an Aerospace employee. There is no other evidence suggesting
15 that Dr. Ewell does this amount of work for Aerospace every week, or that he receives a salary from
16 Aerospace, or is otherwise "employed" by Aerospace. Notably, at the deposition ATC did not follow up
17 this line of questioning with further questions regarding Dr. Ewell's current work for Aerospace.

18 Third, the Court is unsure of how, as ATC contends, Aerospace Corporation exercises oversight
19 over Presidio based on Presidio supplying capacitors to government customers. ATC does not
20 definitively identify which Aerospace customers do business with Presidio, and how Aerospace might
21 oversee Presidio for the products at issue. ATC's general allegations are insufficient to show that
22 Presidio's retainer of Dr. Ewell violates Aerospace's personal conflict of interest provisions.

23 Finally, even if Dr. Ewell could be considered an Aerospace employee, he could still serve as an
24 expert witness. Aerospace permits its employees "to engage in other outside business activities, which
25 can be rewarding both professionally and monetarily, provided there is no conflict with the
26 corporation's mission and contractual obligations." Presidio Reply, Ex. E, Aerospace Corporation
27 Standards of Business Conduct. And, while he was an Aerospace employee, Dr. Ewell served as an
28 expert witness on two occasions. *Id.* at ¶ 10.

1 Regarding the organizational conflict of interest, those may arise from the corporation doing
2 business with competing contractors or the corporation performing services for customers over which it
3 exercises oversight. First, this provision does not apply here because Dr. Ewell is not an Aerospace
4 employee. Second, ATC has not definitively shown that Aerospace Corporation exercises oversight
5 over ATC and Presidio for the products at issue.

6 Based on the information before it, the Court finds that no conflict of interest exists regarding
7 Presidio's retainer of Dr. Ewell as one of its technical experts.

8 **B. Status as Government Employee.**

9 ATC argues that due to Dr. Ewell's "employment by the Government" and service as Presidio's
10 witness, ATC will be denied a fair trial because the jury will hear that a "government agent" tested
11 ATC's 545L capacitor and found it to infringe Presidio's patent application that the government had
12 granted. ATC points to Presidio referring to Dr. Ewell's experience auditing capacitors for the
13 Government at oral argument for the summary judgment motion. *See* Ex. 11 at 25:16-19 and 42:15-22.

14 Central to ATC's argument is its assertion that the Aerospace Corporation is a government
15 entity. The Aerospace Corporation is a Federally Funded Research and Development Center (FFRDC).
16 *Opp'n*, Ex.5, Tr. p.29. FFRDCs are

17 unique independent nonprofit entities sponsored and funded by the U.S.
18 government to meet specific long-term technical needs that cannot be met
19 by any other single organization. FFRDCs typically assist government
20 agencies with scientific research and analysis, systems development, and
21 systems acquisition. They bring together the expertise and outlook of
22 government, industry, and academia to solve complex technical problems.

23 *Opp'n*, Ex. 6. While they are part of the private sector, FFRDCs enjoy a special relationship with the
24 U.S. Government, which allows them access to some of the Government's sensitive and proprietary
25 data. 48 C.F.R. 35.017(a)(2). FFRDCs are "to be free from organizational conflicts of interest," but
26 they may work for entities other than the sponsoring entity, if that work is not otherwise available in the
27 private sector. *Id.* Here, the United States Air Force sponsors the Aerospace FFRDC. *Opp'n*, Ex. 6.
28 Aerospace Corporation "provides scientific and engineering support for launch, space, and related
ground systems" and "supports long-term planning and the immediate needs of our nation's military and
reconnaissance space programs." *Id.*

1 Based on the information contained on the Aerospace Corporation's website, as well as the
2 explanation in the Code of Federal Regulations, the Aerospace Corporation does not appear to be an
3 express branch of the U.S. Government. Therefore, the Court does not find a basis to disqualify Dr.
4 Ewell due to a former or current status as a government employee. Finally, to the extent ATC seeks to
5 exclude Presidio from referring to Dr. Ewell as a "government tester," "agent of the government" or
6 "government employee," ATC can seek that relief through a motion in limine. This Court finds that a
7 possible reference to such a status is insufficient to warrant an outright disqualification of Dr. Ewell as
8 Presidio's witness.

9 **Sanctions.**

10 Presidio argues that ATC's objections are both unjustified and made for an improper purpose,
11 justifying sanctions. Presidio believes ATC should be sanctioned because it forced Presidio to incur
12 unnecessary expenses related to bringing this motion.

13 The protective order states that if the court grants a motion to quash based on the showing that a
14 party's objections were

15 clearly unjustified or have been made for an improper purpose (e.g., to
16 unnecessarily encumber or retard the case development process, or to
17 impose unnecessary expenses and burdens on other parties), this Court
18 may subject the objecting party to sanctions, including requiring the
objecting party to reimburse the party intending to disclose . . . for the
attorneys' fees and costs incurred by the party intending to disclose in
bringing such motion to quash.


19 Protective Order, Opp'n Ex. 1 ¶ 10(b).

20 While Presidio has prevailed on its motion, this Court does not find that ATC's objections were
21 clearly unjustified or made for an improper purpose. Therefore, the Court denies Presidio's request for
22 sanctions.

23 The Court **GRANTS** Presidio's motion to quash and **DENIES** ATC's motion to disqualify Dr.
24 Ewell.

25 **IT IS SO ORDERED.**

26 DATED: November 18, 2008

27 
28 Hon. Nita L. Stormes
U.S. Magistrate Judge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

PRESIDIO COMPONENTS, INC.,	)	Civil No. 08cv335 IEG (NLS)
)	
Plaintiff,	)	ORDER GRANTING IN PART AND
v.	)	DENYING IN PART ATC'S MOTION
	)	TO COMPEL PLAINTIFF TO
AMERICAN TECHNICAL CERAMICS	)	PRODUCE DOCUMENTS AND
CORPORATION,	)	RESPOND TO INTERROGATORIES
)	
Defendant.	)	[Doc. No. 42]
_____)	
AMERICAN TECHNICAL CERAMICS)	
CORPORATION,)	
)	
Counterclaimant,)	
v.)	
)	
PRESIDIO COMPONENTS, INC.,)	
)	
Counterdefendants.)	
_____)	

The Court held a telephonic discovery conference with counsel for plaintiff Presidio Components, Inc. (Presidio) and defendant American Technical Ceramics Corporation (ATC) to discuss the requests in ATC's motion to compel. The Court heard each side's arguments for every set of discovery requests. During the conference the Court issued several orders regarding the specific requests. The Court **GRANTED in part** and **DENIED in part** ATC's motion to compel. This written order now memorializes the specific orders the Court issued during the conference. Unless otherwise noted, Presidio shall perform everything the Court has ordered by **November 24, 2008**.

1 **Background.**

2 ATC seeks documents from Presidio's research projects that involve "fringe-effect
3 capacitance,"¹ which is a recited claim limitation and the alleged point of novelty in claim 1 of the '356
4 patent. ATC also seeks Presidio's knowledge of prior art, its sales and marketing documents and
5 customer lists for Presidio's Buried Broadband and Integrated Broadband capacitors. ATC also asks the
6 Court to appoint a third-party computer consultant to gather electronically stored information (ESI) from
7 Presidio's computer system.

8 Presidio contends that it has responded to ATC's requests in explicit detail, and stated several
9 times that certain categories of documents do not exist. It has already agreed to produce additional
10 information for certain categories. Further, the requests are overbroad because the only relevant
11 documents are those that relate to fringe-effect capacitance as it relates to the '356 patent. Presidio
12 argues against appointing a third-party to gather its ESI.

13 **RESEARCH AND DEVELOPMENT DOCUMENTS**

14 **1. RFPs 1, 3, 8: All Laboratory Notebooks, Inventor Files and Other Research and**
15 **Development Documents Regarding Multilayer Capacitors from 2000-2003.**

16 RFPs 1, 3 and 8 require all documents relating to Presidio's records of the "inventorship"
17 process, including laboratory notebooks, inventor files, invention disclosures, prototypes, and research,
18 design and development files regarding ceramic capacitors from 2000-2003. ATC also expects test and
19 inspection records. Presidio provided some documents in response to these RFPs.

20 The Court ordered Presidio to produce all excerpts from lab notebooks from 2001 to 2003 that
21 reference fringe-effect capacitance.

22 **2. ROG 1 and RFP 2: Documents and Information Regarding Conception, Diligence,**
23 **and First Reduction to Practice of Each Alleged Invention of the '356 Patent.**

24 ROG 1 requests Presidio to describe the dates and circumstances relating to the conception,
25 diligence and first reduction to practice of each alleged invention disclosed or claimed in the '356
26 patent. RFP 2 seeks all documents relating to the diligence Presidio alleges that it demonstrated

27
28 ¹A fringe-effect capacitor is a device that stores electric charge and re-routes it within an
electrical surface, and is formed by positioning the ends of two conductors in an edge-to-edge
relationship. Mem. Ps&As, p.3.

1 regarding the subject matter of each claim. Presidio says it responded to ROG 1 and provided all
2 documents in response to RFP 2.

3 The Court ordered Presidio to make a reasonable search for any additional documents that relate
4 to an actual (physical) reduction to practice or constructive reduction to practice, produce any
5 outstanding documents to ATC, and provide a declaration stating that a reasonable search was done and
6 all documents have been produced, or will be produced.

7 **3. ROG 13 and RFPs 18-20: All Documents and Information Regarding “Fringe-
8 Effect Capacitance”.**

9 ROG 13 requests a written response describing “the tests, test fixtures, methods, equipment
10 and/or procedures for determining whether capacitors have a ‘fringe-effect capacitance.’” RFP 19 seeks
11 all documents related to ROG 13. RFPs 18 and 20 seek all documents relating to the analysis, design,
12 testing, operation, or use of all Presidio capacitors having a fringe-effect capacitance, including
13 Presidio’s filter feedthrough capacitors.

14 The Court ordered Presidio to provide a narrative response to ROG 13. The Court denies the
15 remaining RFP requests. Presidio has produced all documents related to fringe-effect capacitance as
16 they relate to claim 1 of the ‘356 patent. RFPs 18 and 20 are overbroad.

17 **4. RFP 9: All Documents Regarding Trinh’s Multilayer Ceramic Capacitors Thesis.**

18 RFP 9 seeks all documents related to the research and preparation of Presidio’s current employee
19 Hung Trinh’s Masters thesis, “An Electrodeposition Method for Terminals of Multilayer Ceramic
20 Capacitors.” The request includes but is not limited to results of patent searches and other categories of
21 documents. Presidio produced the thesis. Presidio claims the thesis has nothing to do with the ‘356
22 patent although it does refer to fringe-effect capacitance.

23 The Court ordered Presidio to produce any of the 500 patents--to the extent they are in Presidio’s
24 possession, custody or control--that Trinh was aware of while researching his Masters’ thesis and that
25 relate to ceramic multilayer capacitors.

26 **5. RFP 7: JDS Uniphase Documents from 2000-2003.**

27 RFP 7 seeks all documents relating to Presidio’s dealings with JDS Uniphase concerning
28 multilayer capacitors. ATC focuses the request on 2000-2003. Presidio has not produced any internal

1 emails in response to this RFP.

2 The Court ordered Presidio to do another search for any responsive documents, including a
3 search for any outstanding internal emails. The search shall include separate searches for the terms
4 “JDS,” “JDSU,” “JDS Uniphase,” “Chuck,” “Rosier,” “Fejzuli” and “Bastin.” Presidio shall then
5 produce the documents to ATC, or confirm that all have already been produced.

6 **6. ROG 12: Presidio’s Pre-Suit Research and Development Regarding the Capacitors**
7 **Shown in Figures 2A, 4A, 9A and 10A of the ‘356 Patent.**

8 ROG 12 asks ATC to prepare and “provide a claim chart identifying whether each element of
9 each asserted claim is present or missing” in a list of figures in the ‘356 patent and other patents. This
10 essentially seeks information regarding Presidio’s prior research, development and analysis with respect
11 to the capacitors shown in Figures 2A, 9A and 10A of the ‘356 patent, and from Figure 4A, which
12 corresponds to Figure 7 of Monsorno U.S. Patent No. 5,576,926. Presidio maintains this information is
13 privileged and further that ATC is asking it to prepare an invalidity analysis with regard to certain pieces
14 of prior art.

15 The Court denied this request without prejudice to seeking it through expert discovery.

16 **PRIOR ART AND PRESIDIO’S RELATED PATENTS AND APPLICATIONS**

17 **7. ROG 9: First Sale, Offer for Sale, and Publication of Each Alleged Invention**
18 **Disclosed in the ‘356 Patent.**

19 ROG 9 requires a description of the circumstances related to the first sale, offer for sale and/or
20 first public use of any alleged invention disclosed or claimed in the ‘356 patent, including the date any
21 such invention was first described in a printed publication. Presidio claims it has not sold or offered for
22 sale a product covered by the claims of the ‘356 patent.

23 The Court ordered Presidio to provide a narrative response to ROG 9, including the date any
24 invention disclosed or claimed in the ‘356 patent may have been described in a printed publication.

25 **8. ROG 10 and RFPs 13, 23, 60: Prior Use, Knowledge, Sales, Offers for Sale,**
26 **Publications and Patents Related to Ceramic Capacitors.**

27 RFP 13 seeks all documents that refer or relate to prior art or potential prior art to the ‘356
28 patent, including patents, publications, prior knowledge, public uses and sales and offers for sale. ROG

10 asks Presidio to identify the prior art known to anyone involved with prosecution of the '356 patent or its related U.S. and foreign patent applications and patents, and to describe the basis for not disclosing this prior art to the PTO while prosecuting the '356 patent. RFP 23 seeks all documents relating to the prosecution histories of any Presidio patent having at least one common inventor with the '356 patent. RFP 60 requests documents relating to customer or distributor requests, preferences or requirements relating to Presidio's multilayer capacitors.

The Court ordered Presidio to supplement its response to ROG 10 to indicate that they have reviewed their files relating to the '356 and '327 patents and produced all prior art relating to those patents. Presidio need not respond further to RFPs 13 and 23. Regarding RFP 60, Presidio shall search for and produce any responsive documents, including a search for customer or distributor requests based on customer specifications.

DOCUMENTS REGARDING SALES, MARKETING AND MARKET FOR ITS CAPACITORS

9. RFPs 52-55: Sales, Profits, Customers and Financial Statements.

RFPs 52-55 seek Presidio's financial statements and tax returns because they are relevant to Presidio's damages claim, including determining a reasonable royalty. Presidio had already agreed to produce responsive documents, including documents that show every sale to every customer.

The Court ordered Presidio to produce the responsive documents by November 12, 2008.

10. RFP 37: Value of the '356 Patent.

RFP 37 requests all documents relating to any value assigned to the '356 patent and/or its related patents, alone or together with other patents or technology.

The Court ordered Presidio to review the minutes of the Board of Directors or other company meetings to determine if there are any discussions of the value of the '356 patent, and if so, produce the minutes of those meetings to ATC. The Court also ordered Presidio to conduct any other searches that might reveal responsive documents and to produce those documents to ATC.

11. RFPs 51, 56, 58, 59: Market for Capacitors and Presidio's Market Share and Marketing.

RFPs 51, 56, 58 and 59 request all documents relating to the market for capacitors (including Presidio's multilayer capacitors and ATC's 545L capacitor and Presidio's relationship with distributors.

1 The Court ordered Presidio to make a thorough search of all emails between Presidio principals
2 Daniel Devoe, Alan Devoe, or Lambert Devoe and any customers or distributors, for emails that
3 compare Presidio's capacitors using the '356 patent and ATC's 545 L capacitor. Presidio shall also
4 provide all marketing materials related to the Buried Broadband and Integrated Broadband Capacitors,
5 and all marketing that compares its Buried Broadband and Integrated Broadband Capacitors with ATC's
6 545L capacitors.

7 **12. ROG 3 and RFPs 34, 57, 69: Damages and Reasonable Royalty.**

8 ROG 3 requests a written description of all categories of damages to which Presidio contends it
9 is entitled, including a reasonable royalty, lost profits, costs, attorneys fees and the amount and basis on
10 which it is sought. RFP 69 seeks all documents supporting, refuting or relating to the monetary relief
11 Presidio seeks. RFPs 34 and 57 seek all documents relating to royalty or licensing rates and/or
12 arrangements relating to capacitors.

13 The Court denied ATC's request without prejudice to renewing this request for the information,
14 if the information is not provided in the report of Presidio's damages expert and prior to the deposition
15 of Presidio's damages expert.

16 **13. ROG 6 and RFPs 35, 36: Presidio's Efforts to License Capacitors.**

17 ROG 6 and RFPs 35 and 36 seek information and documents regarding Presidio's efforts to
18 license or take a license to any technology concerning capacitors or any other patent or application
19 Presidio claims to own.

20 The Court ordered Presidio to supplement its response to ROG 6 and RFPs 35 and 36, as
21 Presidio detailed it would during the discovery hearing.

22 **PRESIDIO'S FALSE MARKING, TORTIOUS INTERFERENCE, ENGAGEMENT OF**
23 **COUNSEL AND WILLFULNESS ALLEGATIONS.**

24 **14. RFP 42: Presidio's References to ATC and Analysis of ATC's 545L Capacitor.**

25 RFP 42 seeks all documents and things referring to ATC's 545L and other capacitors.

26 The Court ordered Presidio to search its emails to determine whether any documents refer to
27 ATC's 545L capacitor and to provide those documents.

28 ///

1 **15. RFP 48: Funding and Engagement Agreement with Counsel.**

2 RFP 48 seeks all documents related to any funding, direct or indirect, or provided or received, by
3 Presidio, that relates to the '356 patent and/or this civil action.

4 The Court denied this request without prejudice.

5 **16. ROGS 4, 5 and RFP 71: Presidio's Knowledge of ATC's Alleged Infringement and**
6 **Notice to ATC.**

7 ROG 4 asks Presidio to identify and describe all dates and circumstances of Presidio providing
8 actual and/or constructive notice of the '356 patent or of the alleged infringement to ATC. ROG 5 asks
9 Presidio to describe the date and circumstances under which Presidio first became aware that ATC was
10 allegedly infringing any claim of the '356 patent. RFP 71 seeks all documents supporting, refuting or
11 related to Presidio's contention that ATC's infringement has been willful.

12 The Court ordered Presidio to supplement its response to ROG 5 and explain how and/or when it
13 became aware of ATC's 545L capacitor. Regarding any documents that relate to Presidio's testing and
14 analysis of ATC's 545L capacitor, Presidio shall bring its privilege log up to date.

15 **17. RFPs 25-27: Documents Regarding Presidio's Marking of Its Products with the '356**
16 **Patent Number.**

17 RFPs 25 and 26 request documents sufficient to identify when Presidio's commercial product
18 was first marked with the '356 patent number, and to show or negate continued marking from that time
19 until present. RFP 27 requests all documents relating to Presidio's analysis and conclusions concerning
20 when and which products to mark with the '356 patent. Presidio has responded to RFPs 25 and 26.

21 The Court ordered Presidio to provide a declaration from its person most knowledgeable whether
22 any further responsive documents exist as to RFP 27.

23 **Neutral Officer to Discover Presidio's ESI.**

24 ATC asked the Court to appoint a computer forensic expert who specializes in electronic
25 discovery as a neutral Officer of the Court, to create, at ATC's expense, a "mirror image" of the ESI
26 stored on Presidio's computers, according to a certain protocol. Presidio responded that appointing the
27 neutral would present an extensive hardship on Presidio's day-to-day operations and would be an
28 egregious infiltration of Presidio's business and technology.

1 The Court denied ATC's request to appoint a neutral to mirror-image, search and review
2 Presidio's ESI.

3 **IT IS SO ORDERED.**

4 DATED: November 10, 2008

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6 Hon. Nita L. Stormes
7 U.S. Magistrate Judge
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**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS, INC.,	)	Civil Action No. 08cv335 IEG (NLS)
)	
Plaintiff,	)	ORDER DENYING DEFENDANT’S
	)	MOTION FOR SUMMARY JUDGMENT
v.	)	OF INDEFINITENESS
	)	(Doc No. 18.)
AMERICAN TECHNICAL CERAMICS)	
CORPORATION,)	
)	
Defendant.)	
)	
_____)	

Presently before the Court is Defendant’s Motion for Summary Judgment of Indefiniteness. For the following reasons the Court DENIES Defendant’s motion.

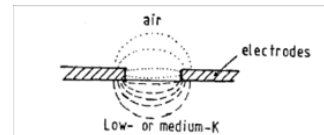
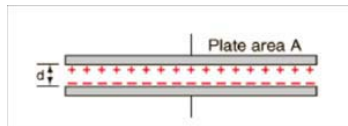
BACKGROUND

I. Factual Background

The disputed patent is entitled “Integrated Broadband Ceramic Capacitor Array.” A capacitor is a device conventionally comprised of two metal plates separated by a non-conductor of direct electric current. This non-conductive material is known as a “dielectric.” Dielectric material includes air or ceramic.

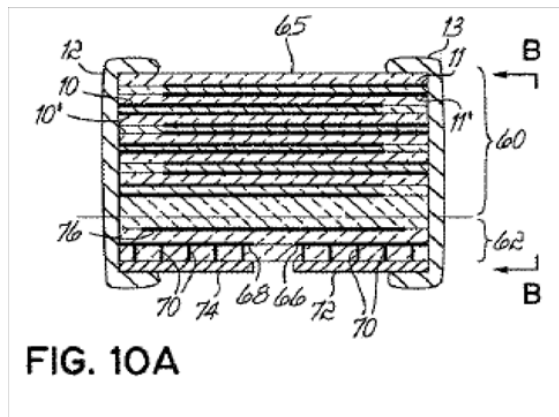
A capacitor is charged by coupling its plates to an electrical source. Since electricity passes easily through the metal plates—which are electrical conductors—but not the dielectric, a positive electrical charge accumulates on one plate and a negative charge accumulates on the other plate. Or,

put another way, electrons are introduced on one of the metal plates and electrons are depleted on the other. When thus charged, the capacitor stores energy which can then be released by connecting the plates via an external path and permitting current to flow from one plate to the other. The electrons will flow off the negatively charged plate and to the positively charged plate, bringing the two plates to equal relative voltage. Two types of capacitors are utilized in the '356 patent, parallel plate capacitors (left) and fringe effect capacitors (right).



The '356 patent discloses and claims a capacitor consisting of a network of capacitors. The geometry and spacing of the multiple conductive and non-conductive layers of the multilayer capacitor forms multiple parallel-plate capacitors and fringe-effect capacitors.

The embodiment pictured below demonstrates the positioning of conductive plates inside the dielectric body (e.g., structures 10 and 11) as well as "fringe-effect capacitor" which is formed by positioning the ends of two conductors in an edge-to-edge relationship (e.g., the space between 72 and 74 below).



1 **II. Procedural Background**

2 On June 11, 2008, Defendant moved this court for summary judgment, seeking a holding that
3 claims 1-5, 16, 18 and 19 of the 356 patent are indefinite under 35 U.S.C. § 112, second paragraph,
4 which requires that “the specification shall conclude with one or more claims particularly pointing out
5 and distinctly claiming the subject matter which the applicant regards as his invention.” 35 U.S.C. §
6 112. (Doc. No. 18.)

7 On the same day as Defendant filed its motion, the Court construed several disputed terms
8 associated with the 356 patent, including many at issue in the present motion.

9 From Claim 1, the Court construed **substantially monolithic dielectric body**
10 as “a dielectric body largely but not wholly without seams from the inclusion of plates
11 within the dielectric body.”

12 From Claim 1, the Court construed **the second contact being located**
13 **sufficiently close to the first contact to form a first fringe-effect capacitance with**
14 **the first contact** as “an end of the first conductive contact and an end of the second
15 conductive contact are positioned in an edge-to-edge relationship in such proximity as
16 to form a determinable capacitance.”

17 From Claim 3, the Court construed **the second contact being located**
18 **sufficiently close to the first contact on the second side of the dielectric body to**
19 **form a second fringe-effect capacitance with the first contact** as “another end of the
20 first conductive contact and another end of the second conductive contact are present
21 on the second side of the substantially monolithic dielectric body and are positioned in
22 an edge-to-edge relationship in such proximity as to form a determinable capacitance.”

23 From Claim 19, the Court construed **the dielectric body has a hexahedron**
24 **shape** as “the substantially monolithic dielectric body has six sides.”

25 On July 11, 2008, Presidio filed its opposition to Defendant’s motion, along with a declaration
26 from expert Dr. Gary Ewell. (Doc. No. 23.) On July 18, 2008, ATC filed its reply. (Doc. No. 26.)
27 The Court heard oral argument on August 8, 2008.

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//

LEGAL STANDARD

I. Summary Judgment

Summary judgment is proper where the pleadings and materials demonstrate that “there is no genuine issue as to any material fact and . . . the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c); Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). A material issue of fact is a question that a trier of fact must answer to determine the rights of the parties under the applicable substantive law. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). A dispute is genuine “if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.” Id. at 248. Summary judgment may be granted in favor of a moving party on an ultimate issue of fact where the moving party carries its burden of “pointing out to the district court that there is an absence of evidence to support the nonmoving party’s case.” Celotex, 477 U.S. at 325.

The moving party bears “the initial responsibility of informing the district court of the basis for its motion.” Celotex, 477 U.S. at 323. To satisfy this burden, the moving party must demonstrate that no genuine issue of material fact exists for trial. Id. at 322. However, the moving party is not required to negate those portions of the non-moving party’s claim on which the non-moving party bears the burden of proof. Id. at 323. To withstand a motion for summary judgment, the non-movant must then show that there are genuine factual issues which can only be resolved by the trier of fact. Reese v. Jefferson School Dist. No. 14J, 208 F.3d 736, 738 (9th Cir.2000) (citing Fed. R. Civ. P. 56; Celotex, 477 U.S. at 323). The nonmoving party may not rely on the pleadings but must present specific facts creating a genuine issue of material fact. see Nissan Fire & Marine Ins. Co., v. Fritz Cos., 210 F.3d 1099, 1103 (9th Cir. 2000). The inferences to be drawn from the facts must be viewed in a light most favorable to the party opposing the motion, but conclusory allegations as to ultimate facts are not adequate to defeat summary judgment. Gibson v. County of Washoe, Nev., 290 F.3d 1175, 1180 (9th Cir. 2002). The court is not required “to scour the record in search of a genuine issue of triable fact,” Keenan v. Allan, 91 F.3d 1275, 1279 (9th Cir.1996), but rather “may limit its review to the documents submitted for purposes of summary judgment and those parts of the record specifically referenced therein.” Carmen v. San Francisco Unified Sch. Dist., 237 F.3d 1026, 1030 (9th Cir. 2001).

II. Indefiniteness

Proof of indefiniteness requires an accused infringer to show by clear and convincing evidence

1 that a skilled artisan could not discern the boundaries of the claim based on the claim language, the
2 specification, and the prosecution history, as well as her knowledge of the relevant art area.
3 Halliburton Energy Services, Inc. v. M-I LLC, 514 F.3d 1244, 1249-50 (Fed. Cir. 2008). Put another
4 way, a “claim is indefinite if its legal scope is not clear enough that a person of ordinary skill in the art
5 could determine whether a particular [apparatus] infringes or not.” Geneva Pharmaceuticals, Inc. v.
6 Glaxosmithkline PLC, 349 F.3d 1373, 1384 (Fed. Cir. 2003).

7 The definiteness requirement does not compel absolute clarity. Only claims not amenable to
8 construction or insolubly ambiguous are indefinite.” Datamize, LLC v. Plumtree Software, Inc., 417
9 F.3d 1342, 1347 (Fed. Cir. 2005). If the meaning of the claim is discernable, even though the task may
10 be formidable and the conclusion may be one over which reasonable persons will disagree, the Federal
11 Circuit has held the claim sufficiently clear to avoid invalidity on indefiniteness grounds. Id. That is,
12 a claim is not indefinite due to alleged ambiguity when the meaning is ascertained from the description
13 in the specification. Howmedica Osteonics Corp. v. Tranquil Prospects, Ltd., 401 F.3d 1367, 1371
14 (Fed. Cir. 2005) (claim not indefinite due to ambiguity when meaning readily ascertained from the
15 description in the specification).

16 The Federal Circuit has explained that determination of claim indefiniteness is a legal
17 conclusion that is drawn from the court’s performance of its duty as the construer of patent claims.
18 Exxon Research and Eng’g Co. v. United States, 265 F.3d 1371, 1376 (Fed. Cir. 2001). In making
19 such a determination, a Court may consider or reject certain extrinsic evidence in resolving disputes
20 en route to pronouncing the meaning of claim language. In so doing, the court is not crediting certain
21 evidence over other evidence or making factual evidentiary findings, rather, the court is looking to the
22 extrinsic evidence to assist in its construction of the written document. Id.

23 As several district courts have observed, however, while the Federal Circuit has described the
24 indefiniteness inquiry as a question of law, where evidence beyond the claims and written description
25 may be reviewed, factual issues are likely to arise. See Hako-Med USA, Inc. v. Axiom Worldwide,
26 Inc., 2008 WL 2943367, *8 (M.D. Fla. July 29, 2008) (where evidence on indefiniteness consisted of
27 contradictory expert opinion, summary judgment as to indefiniteness improper); Enzo Life Sciences,
28 Inc. v. Digene Corp., 305 F.Supp.2d 406, 408 (D. Del. 2004) (recognizing inherent tension in case law
surrounding the appropriateness of resolving indefiniteness questions as a matter of law); System

1 Management Arts Inc. v. Avesta Tech., Inc., 137 F.Supp.2d 382, 399 (S.D.N.Y. 2001) (collecting cases
2 and discussing tension in case law regarding indefiniteness as a question of law; concluding question
3 of indefiniteness must be evaluated under ordinary standards applicable to a summary judgment
4 motion; ultimately finding extrinsic evidence was sufficient to give rise to a genuine issue of material
5 fact as to indefiniteness).

6 Here, the Court considers the question of indefiniteness under the ordinary standards applicable
7 to summary judgment motion and bearing in mind the burden of proof on the party alleging invalidity.

8 **DISCUSSION**

9 **I. Challenge to Claim 1**

10 **a. Background**

11 Claim 1 describes the following integrated capacitor (terms challenged on indefiniteness
12 grounds are bolded):

13 A capacitor comprising: **[1] a substantially monolithic dielectric body;**

14 a conductive first plate disposed within the dielectric body;

15 a conductive second plate disposed within the dielectric body and
16 forming a capacitor with the first plate;

17 a conductive first contact disposed externally on the dielectric body and
18 electrically connected to the first plate; and

19 a conductive second contact disposed externally on the dielectric body
20 and electrically connected to the second plate, and **[2] the second
contact being located sufficiently close to the first contact to form
[3] a first fringe-effect capacitance** with the first contact.

21 **b. Indefiniteness**

22 ATC argues Claim 1 is indefinite because it contains three indefinite claim elements,
23 specifically, those identified above: (i) a substantially monolithic dielectric body; (ii) the second contact
24 being located sufficiently close to the first contact to form a first fringe-effect capacitance with the first
25 contact; (iii) a first fringe-effect capacitance.

26 **i. “a substantially monolithic dielectric body”**

27 **1. Parties’ Argument**

28 ATC asserts that the evidence thus forth has established that the term “substantially monolithic
dielectric body,” even as construed by the Court, is indefinite, in turn making Claim 1 indefinite. ATC

1 notes that the ‘356 patent does not expressly define the phrase “substantially monolithic dielectric
2 body” and that Presidio’s initial expert in this case, Dr. Goldshalk, admitted there is no objective test
3 in the technical literature or elsewhere to determine whether a dielectric body is substantially
4 monolithic.

5 Presidio relies on the declaration of its new expert Dr. Gary Ewell—a technical consultant with
6 at least twenty years experience in the field of multilayer capacitors, including a recent emphasis on
7 capacitor reliability testing—who asserts the term substantially monolithic dielectric body, as defined
8 by the Court, is clear and understandable to a person trained in the art. He explains that when multiple
9 capacitors are sintered, as described and claimed in the ‘356 patent, the results in voids, gaps, and
10 seams, rendering the structure—an array of capacitors—“substantially monolithic.” That is, monolithic,
11 but to a lesser degree than a single capacitor. Dr. Ewell describes this “monolithichness” as a comment
12 on the structure’s physical integrity, i.e., its ability to resist fracturing when subjected to the normal
13 range of forces involved in placing the component on a substrate and then to normal stresses involved
14 in its application by the user. In accordance with this definition, Dr. Ewell proposes a test for
15 determining whether a particular dielectric body is “substantially monolithic” or not. He posits that
16 a sample in question would be put through the normal manufacturing and testing sequence as well as
17 higher-level electronic assembly. If the internal gaps, voids, and seams are so small or minor within
18 the parts that the samples remain integral under those conditions and do not fragment or break into
19 pieces, then the body would be considered “substantially monolithic.” If the samples did fragment or
20 shatter, then the body would not be considered “substantially monolithic.” (See Doc. No. 23,
21 Presidio’s Opp’n, Ex. 5, Declaration of Gary James Ewell, pg. 2-5.)

22 In its reply, ATC rejects Dr. Ewell’s proposed test, arguing there is no causal link between
23 whether a capacitor is “substantially monolithic” and whether the capacitor stays intact under certain
24 usage conditions. ATC also finds Dr. Ewell’s test insufficiently defined; ATC points out that Dr. Ewell
25 does not provide specific conditions in either his declaration or deposition which would outline the
26 parameters of the proposed reliability testing.

27 2. Court’s Construction

28 This Court’s Claim Construction Order construed the term **substantially monolithic dielectric body** as “a dielectric body largely but not wholly without seams from the inclusion of plates within the

1 dielectric body.” This was the Court’s conclusion, based on examination of the patent as well as
2 testimony of Defendant’s expert, Dr. Joseph P. Dougherty, as to “the ordinary and customary meaning
3 of a claim term,” i.e., “the meaning that the term would have to a person of ordinary skill in the art in
4 question at the time of the invention, as of the effective date of the patent application.” Phillips v.
5 AWH Corp., 415 F.3d 1303, 1313 (Fed. Cir. 2005). This was the construction advanced in the
6 alternative by ATC—whose primary argument at the Claim Construction Hearing was (as it is now)
7 that this claim term is indefinite.

8 ATC essentially contends the Court’s construction did not cure the indefiniteness problem since
9 a term of degree like substantially cannot be applied to the concept of “monolithichness.” Further, even
10 in the words of the Court’s construction, argues ATC, a skilled artisan is without guidance as to
11 whether a structure is largely but not wholly without seams.

12 3. Analysis

13 The use of the word “substantially” in claim language does not by itself render a claim fatally
14 indefinite. See e.g., Pave Tech, Inc. v. Snap Edge Corp., 952 F.Supp. 1284, 1292 (N.D. Ill. 1997) (term
15 “substantial,” when considered in light of entire claimed invention, was as accurate as subject matter
16 permitted, and provided sufficient guidance to one skilled in the art); James River Corp. of Virginia
17 v. Hallmark Cards, 915 F.Supp. 968, 989 (E.D. Wisc. 1996) (word “substantially” in the term
18 “substantially integrated” was sufficiently defined, since one skilled in the art could recognize the
19 difference between prior art and the claimed invention).

20 Instead, as the Federal Circuit has explained, the key consideration is whether the language
21 provided sufficient guidance to one skilled in the art as to the scope of the claimed invention. See
22 Verve, LLC v. Crane Cams, Inc., 311 F.3d 1116, 1120 (Fed. Cir. 2002) (“It is well established that
23 when the term ‘substantially’ serves reasonably to describe the subject matter so that its scope would
24 be understood by persons in the field of the invention, and to distinguish the claimed subject matter
25 from the prior art, it is not indefinite.”).

26 At the outset, the Court notes its rejection of ATC’s challenge to Dr. Ewell’s qualifications.
27 While Dr. Ewell stated he does not design multi-layer capacitors in his current position, his long
28 experience regarding capacitors, including evaluating capacitor reliability and compliance with a
particular specification, qualify him to opine on how a skilled artisan would apply the claim language.

1 Dr. Ewell's declaration suggests someone skilled in the art would be able to apply the claim
2 language "a substantially monolithic dielectric body" so as to determine whether a particular device
3 was inside or outside the scope of Claim 1 by performing the reliability testing he frequently conducts
4 and which he asserts would be familiar to a skilled artisan. While Dr. Ewell's testimony is less than
5 complete—he does not define parameters of the testing regime endorsed—Defendant has not
6 specifically rebutted Dr. Ewell's assertions concerning the accuracy or prevalence of such reliability
7 testing. Dr. Dougherty's statement at the time of claim construction merely faulted the specification
8 for failing to teach the difference between a substantially monolithic and non-monolithic dielectric
9 body. No subsequent statement from Dr. Dougherty has been made in reference to the type of testing
10 described by Dr. Ewell. (See Doc. No. 18, Rule 4.2 Statement of Dr. Joseph P. Dougherty In Support
11 of ATC's Claim Construction, Ex. 8, pg. 22-23.)

12 Under the circumstances, ATC has failed to demonstrate by clear and convincing evidence that
13 the language of the claim is insolubly ambiguous, and Defendant's motion for summary judgment of
14 indefiniteness must fail.

15 ii. the second contact being located sufficiently close to the first contact to form
16 a first fringe-effect capacitance with the first contact"
17 1. Parties' Argument

18 ATC argues this term is indefinite since there is no workable objective standard for determining
19 what degree of closeness is sufficient, the term "sufficiently close" does not distinguish the invention
20 from prior art, and "sufficiently close . . . to for a fringe-effect capacitance" is improperly functional
21 since it attempts to define the invention in terms of what it accomplishes as opposed to what it is. ATC
22 asserts that a fringe-effect capacitance is always present wherever two electric conductors are
23 positioned in an edge-to-edge relationship meaning there is no minimum distance at which the fringe-
24 effect capacitance suddenly appears. Accordingly, ATC argues such a term—which simply recites the
25 first and second conductive contacts located "sufficiently close" to form a fringe-effect capacitance—is
26 ambiguous. ATC points out that Presidio's prior expert admitted there was not enough data in the
27 patent to define the fringe-effect capacitance reflected in the patent's drawings. Similarly, ATC claims
28 that "sufficiently close to form a fringe-effect capacitance" fails to distinguish the alleged invention
from specific prior art identified in the '356 patent since none of the figures provide values of the gap
widths for the fringe-effect capacitances represented. Further, ATC argues the language is indefinite

1 because Presidio has used “functional language,” that is, Presidio has defined its invention by what it
2 is intended to do, i.e., form a fringe-effect capacitance by locating contacts sufficiently close, rather
3 than what it is, i.e., structural dimensions of the contacts.

4 Presidio argues the term is definite based on the Court’s construction of “sufficiently close”
5 as a proximity close enough to form a “determinable capacitance.” Presidio further asserts that whether
6 a fringe-effect capacitance is determinable, can be tested and there is an objective workable standard
7 that one skilled in the art would employ to do so. Dr. Ewell’s declaration sets forth an objective test
8 for determining whether or not two edges are “sufficiently close to form a determinable capacitance”:
9 If the first and second contacts are close enough such that the capacitance formed affects the insertion
10 or data loss of the network or array of capacitors, then it is determinable and falls within the scope of
11 this claim term. (See Doc. No. 23, Presidio’s Opp’n, Ex. 5, Declaration of Gary James Ewell, pg. 5-8.)

12 ATC asserts Dr. Ewell’s construction is inconsistent with the Court’s Claim Construction Order
13 in which this Court rejected a definition of “sufficiently close” which would have incorporated an
14 effect on high frequency performance. In addition, ATC faults Dr. Ewell for failing to provide a
15 specification for how testing regarding the determinability of the capacitance formed by the fringe
16 effect capacitor would be conducted.

17 2. Court’s Construction

18 The Court held the term **the second contact being located sufficiently close to the first**
19 **contact to form a first fringe-effect capacitance with the first contact** means “an end of the first
20 conductive contact and an end of the second conductive contact are positioned in an edge-to-edge
21 relationship in such proximity as to form a determinable capacitance.”

22 3. Analysis

23 In his declaration, Dr. Ewell states that as defined by the Court, whether an edge-to-edge
24 capacitance is “determinable” depends on whether the presence of such a fringe-effect capacitance has
25 an effect on the performance of the entire capacitor array. He asserts that one of ordinary skill in the
26 art would be able to make such a determination through testing involving samples of each family of
27 array designs. Each design would seek to vary the strength of the fringe effect capacitor by varying
28 the spacing of the external surface conductors forming the capacitor. The artisan could then electrically
measure the properties of the various groups of samples and associate the change in electrical

1 properties, effect on insertion loss, and effect on data loss from group to group, with the variation in
2 the design of the fringe-effect capacitor. If the capacitor change resulted in a specific change in the
3 array's electrical properties, then it would be determinable. These changes in the array's properties
4 caused by fringe-effect capacitors, explains Dr. Ewell, distinguishes the '356 patent from prior art.

5 Dr. Ewell's testimony does not contradict the Court's Claim Construction but merely reflects
6 his opinion as to how the claim term as defined by the Court would be understood by a skilled artisan.
7 Once again, Dr. Dougherty's statement, delivered at the time of claim construction, contains no directly
8 contradictory claims regarding the propriety of such testing or whether it would reveal a
9 "determinable" capacitance. (See Doc. No. 18, Rule 4.2 Statement of Dr. Joseph P. Dougherty In
10 Support of ATC's Claim Construction, Ex. 8, pg. 29-30.)

11 The Court also rejects ATC's functionality argument. The Federal Circuit has held that claim
12 language is not necessarily indefinite for using functional language. Microprocessor Enhancement
13 Corp. v. Texas Instruments Inc., 520 F.3d 1367, 1375 (Fed. Cir. 2008). There is nothing intrinsically
14 wrong with using functional language in claims, unless it fails to provide a clear-cut indication of the
15 scope of subject matter embraced by the claim. See id. As discussed above, the specification and Dr.
16 Ewell's testimony provide sufficient description of the scope of the claim.

17 With respect to this challenged term, ATC has failed to demonstrate by clear and convincing
18 evidence that the language of the claim is insolubly ambiguous, and Defendant's motion for summary
19 judgment of indefiniteness as to this term must also fail.

20 iii. "a first fringe-effect capacitance"

21 1. Parties' Argument

22 ATC argues the term "first fringe-effect capacitance" is indefinite since the patent does not
23 define how to identify which fringe-effect capacitance is the "first."

24 Presidio argues the first and second contacts may be one of an arbitrary number of fringe-effect
25 capacitors along the surface of the monolithic array of capacitors.

26 2. Court's Construction

27 As discussed above, the Court held the term **the second contact being located sufficiently**
28 **close to the first contact to form a first fringe-effect capacitance with the first contact** means "an
end of the first conductive contact and an end of the second conductive contact are positioned in an

1 edge-to-edge relationship in such proximity as to form a determinable capacitance.”

2 //

3

4 3. Analysis

5 Dr. Ewell’s explains that one of ordinary skill in the art would understand the word “first” in
6 the claim language as relating to the first of an arbitrary numbering of multiple fringe-effect capacitors.
7 Dr. Ewell’s declaration is consistent with the Court’s Claim Construction Order which treats the
8 numbering of the fringe effect capacitors formed by the contacts as arbitrary.

9 Defendant’s motion for summary judgment of indefiniteness on this term also fails.

10 **II. Challenge to Claims 2-5, 16, 18, and 19**

11 a. Background

12 Claims 2-5, 16, 18, and 19 are all dependent on Claim 1. Accordingly, ATC argues Claims 2-5,
13 16, 18, and 19 are indefinite because they do not cure the deficiencies of Claim 1 which is itself
14 indefinite.

15 As discussed above, the Court rejects Defendant’s contention that summary judgment for
16 indefiniteness is appropriate as to Claim 1, thus the Court does not find dependant claims indefinite
17 based on Claim 1.

18 However, in addition to the arguments above, ATC argues certain of the claims are indefinite
19 for additional reasons. Specifically, ATC identifies (1) Claim 3; (2) Claim 18; and (3) Claim 19.

20 b. Indefiniteness

21 i. Claim 3

22 ATC argues that in Claim 3, the term “the second contact being located sufficiently close to
23 the first contact on the second side of the dielectric body to form a second fringe-effect capacitance
24 with the first contact” is indefinite for the same reasons discussed with respect to use of “sufficiently
25 close” in Claim 1.

26 The analysis for this term and the challenged term in Claim 1 is identical.

27 For the reasons discussed above, the Court finds Defendant’s motion for summary judgment
28 of indefiniteness on this term fails.

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3 ii. Claim 18

4 1. Parties' Argument

5 ATC argues the use of the term "the ceramic body" in Claim 18 makes the claim indefinite
6 since there is no prior recitation of "a" ceramic body, meaning the term "the" ceramic body lacks an
7 antecedent basis and has no reasonably ascertainable meaning.

8 Presidio maintains that dependent Claim 18 and the term "the ceramic body" refers to the
9 dielectric body recited in independent Claim 1. Presidio notes there is nothing else in Claim 1 to which
10 the term "the ceramic body" could refer. Presidio cites Dr. Ewell's declaration and his assertion that one
11 skilled in the field would understand that the ceramic body in claim 18 refers to the dielectric body
12 recited in Claim 1.

13 2. Analysis

14 The failure to provide explicit antecedent basis does not always render a claim indefinite.
15 Manual of Patent Examining Procedure ("MPEP") § 2173.05(e). If the claim is reasonably
16 ascertainable by those skilled in the art, then the claim is not indefinite. Energizer Holdings Inc. v.
17 International Trade Comm'n, 435 F.3d 1366, 1369 (Fed. Cir. 2006).

18 Dr. Ewell states that one of ordinary skill in the art would immediately understand the phrase
19 "the ceramic body" in Claim 18 is referring to the "dielectric body" in Claim 1 based on the practice
20 of many writers and manufacturers to use the terms interchangeably. Dr. Ewell's declaration is
21 supported by Claim 18's dependence on Claim 1 and the '356 patent's express mention of ceramic as
22 a dielectric.

23 Defendant's motion for summary judgment of indefiniteness on this term also fails.

24 iii. Claim 19

25 1. Parties' Argument

26 ATC argues that while Claim 19 purports to claim a dielectric body having a particular shape,
27 the term "hexahedron" is indefinite because while stating the number of sides, it does not define any
28 shape. ATC notes that several shapes have six sides.

Presidio argues the claim term defines a structure that is a hexahedron shape and also a

1 capacitor. Accordingly, someone learned in the art would understand that what is claimed is a
2 capacitor with six sides, not counting very minor additional sides formed by the surfaces of external
3 conductive layers. Presidio cites Dr. Ewell's declaration, which notes that all commercially available
4 monolithic dielectric bodies manufactured in the United States have at least six sides.

5 2. Court's Construction

6 The Court construed the term **the dielectric body has a hexahedron shape** as "the monolithic
7 dielectric body has six sides.

8 3. Analysis

9 The parties' briefs have centered on the question of whether the Court's construction ("the
10 monolithic dielectric body with six sides") would also include a monolithic dielectric body with more
11 than six sides, i.e. six sides and two additional sides.

12 This inquiry is further afield than the definiteness issue presently before the Court, with the
13 parties' arguments apparently previewing issues of infringement.


14 The declarations of both experts implicitly concede that a skilled artisan could determine
15 whether a dielectric body has six sides. Accordingly, Defendant's motion for summary judgment of
16 indefiniteness on this term also fails.

17 **CONCLUSION**

18 For the foregoing reasons, the Court concludes ATC has not shown by clear and convincing
19 evidence that the challenged terms are indefinite, the Court DENIES Defendant's motion for summary
20 judgment.

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22 **IT IS SO ORDERED.**

23
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25 **DATED: August 22, 2008**

26 
27 **IRMA E. GONZALEZ, Chief Judge**
28 **United States District Court**

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**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

PRESIDIO COMPONENTS, INC.,	)	Civil Action No. 08cv335 IEG (NLS)
)	
Plaintiff,	)	CLAIM CONSTRUCTION ORDER
)	
v.)	
)	
AMERICAN TECHNICAL CERAMICS CORPORATION,)	
)	
Defendant.)	
)	
_____)	

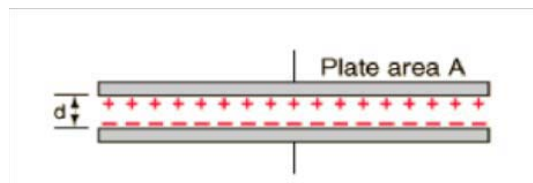
Presently before the Court is the construction of disputed terms of the asserted claims of U.S. Patent No. 6,816,356 (“the ‘356 patent”).

BACKGROUND

The disputed patent is entitled “Integrated Broadband Ceramic Capacitor Array.” A capacitor is a device conventionally comprised of two metal plates separated by a non-conductor of direct electric current. This non-conductive material is known as a “dielectric.” Dielectric material includes air or ceramic.

A capacitor is charged by coupling its plates to an electrical source. Since electricity passes easily through the metal plates—which are electrical conductors—but not the dielectric, a positive electrical charge accumulates on one plate and a negative charge accumulates on the other plate. Or, put another way, electrons are introduced on one of the metal plates and electrons are depleted on the

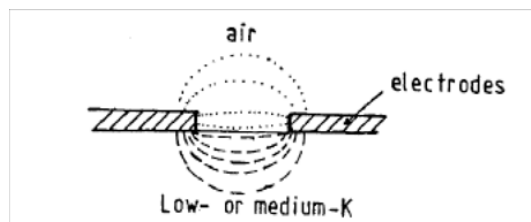
1 other. When thus charged, the capacitor stores energy which can then be released by connecting the
 2 plates via an external path and permitting current to flow from one plate to the other. The electrons
 3 will flow off the negatively charged plate and to the positively charged plate, bringing the two plates
 4 to equal relative voltage.



PARALLEL PLATE CAPACITOR

9 Below is an example of a typical “parallel plate capacitor” described above and utilized in the
 10 ‘356 patent. The capacitor is formed by positioning two conductive plates in parallel and separating
 11 them by a dielectric.

12 One other type of capacitor utilized by the subject patent is a “fringe-effect capacitor.” A
 13 “fringe-effect capacitor” is formed by positioning the ends of two conductors in an edge-to-edge
 14 relationship. Here is an illustration.



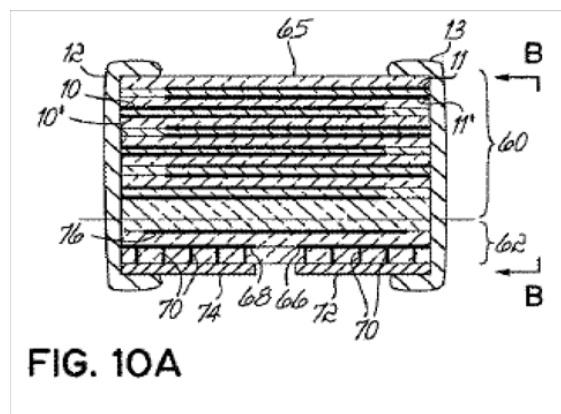
FRINGE-EFFECT CAPACITOR

21 The ability of a capacitor to store charge per unit of voltage applied across its plate is its
 22 “capacitance.” Capacitance depends on the spacing of the conductive plates and the specific properties
 23 of the dielectric material used.

24 The ‘356 patent discloses and claims a capacitor consisting of a network of capacitors. The
 25 geometry and spacing of the multiple conductive and non-conductive layers of the multilayer capacitor
 26 forms multiple parallel-plate capacitors and fringe-effect capacitors.

27 Below is an embodiment of the capacitor described by the ‘356 patent. The capacitor contains
 28 several conductive plates positioned inside the dielectric body (e.g., structures 10 and 11). The
 positioning of these plates form parallel plate capacitors. A fringe-effect capacitor is formed in the

1 space between 72 and 74.



11 The parties seek construction of numerous limitations contained in the patent's claims. The
 12 following chart lists the disputed terms as well as the parties' positions on proposed construction.

#	TERM	PRESIDIO'S PROPOSED CONSTRUCTION	ATC'S PROPOSED CONSTRUCTION
1	Substantially Monolithic Dielectric Body	A largely, but not necessarily wholly one-piece dielectric body	A dielectric body largely but not wholly without seams from the inclusion of conductive plates within the dielectric body
2	A Conductive First Contact Disposed Externally on the Dielectric Body and Electrically Connected to the First Plate	A conductive material arranged on an external surface portion of the substantially monolithic dielectric body having an electrical connection with the first plate	A conductive layer for attaching the capacitor (recited in the preamble) to an external conductor, the conductive layer being present on an external surface portion of the substantially monolithic dielectric body and touching the conductive first plate to establish electrical connection
3	A Conductive Second Contact Disposed Externally on the Dielectric Body and Electrically Connected to the Second Plate	A conductive material arranged on an external surface portion of the substantially monolithic dielectric body having an electrical connection with the second plate	A conductive layer for attaching the capacitor (recited in the preamble) to an external conductor, the conductive layer being present on an external surface portion of the substantially monolithic dielectric body and touching the conductive second plate to establish electrical connection

4	The Second Contact Being Located Sufficiently Close to the First Contact to Form a First Fringe-Effect Capacitance with the First Contact	Forming a capacitance between or proximate opposed ends of the first and second conductive contacts which affects the high frequency performance of the capacitor as a whole	An end of the first conductive contact and an end of the second conductive contact are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.
5	The Second Contact Being Located Sufficiently Close to the First Contact on the Second Side of the Dielectric Body to Form a Second Fringe-Effect Capacitance with the First Contact.	Forming a capacitance between or proximate opposed ends of the first and second conductive contacts on a second side of the substantially monolithic dielectric body which affects the high frequency performance of the capacitor as a whole	Another end of the first conductive contact and another end of the second conductive contact are present on the second side of the substantially monolithic dielectric body and are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.
6	The dielectric body has a hexahedron shape	The dielectric body has six major surfaces	The substantially monolithic dielectric body has six sides.

LEGAL STANDARD

In construing claims, the Court must look first to the language of the claims themselves. Middleton, Inc. v. Minnesota Mining & Mfg. Co., 311 F.3d 1384, 1387 (Fed. Cir. 2002). To that end, “the words of a claim ‘are generally given their ordinary and customary meaning.’” Phillips v. AWH Corp., 415 F.3d 1303, 1312 (Fed. Cir. 2005). The inquiry into how a person of ordinary skill in the art understands a claim term provides an objective baseline from which to begin claim interpretation.” Id. More specifically, “the ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, as of the effective date of the patent application.” Id. at 1313.

The specification is “‘always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.’” Phillips, 415 F.3d at 1315 (quoting Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576, 1582 (Fed. Cir. 1996); accord Yoon Ja Kim v. Conagra Foods, Inc., 465 F.3d 1312, 1318 (Fed. Cir. 2006). Phillips invited courts “to rely heavily on the written description [in the specification] for guidance as to the meaning of the claims.” 415 F.3d at 1317. For example, the specification may show that the inventor assigned a meaning to a claim term that differs from the claim’s ordinary meaning, and, in that case, “the inventor’s lexicography governs.” Id. at 1316; accord Anderson Corp. v. Fiber Composites, LLC, 474 F.3d 1361

1 (Fed. Cir. 2007).

2 Under Federal Circuit precedent, a patentee's choice of embodiments can shed light on the
3 intended scope of the claim, but a patent claim term is not limited merely because the embodiments
4 in the specification all contain a particular feature. On the other hand, a construction that excludes a
5 preferred embodiment is rarely, if ever, correct. C.R. Bard, Inc. v. United States Surgical Corp., 388
6 F.3d 858, 865 (Fed Cir. 2004) (internal citations and quotations omitted). The decision whether to limit
7 a claim to the embodiments in the specification "depends in each case on the specificity of the
8 description of the invention and on the prosecution history." Cultor Corp. v. A.E. Staley Mfg. Co., 224
9 F.3d 1328, 1331 (Fed Cir. 2000). The mere fact that a specification discloses a single embodiment is
10 not enough. Liebel-Flarsheim Co. v. Medrad, 358 F.3d 898, 907 (Fed. Cir. 2004).

11 The court should rely on extrinsic evidence "[o]nly if a disputed claim term remains ambiguous
12 after analysis of the intrinsic evidence." Pickholtz v. Rainbow Technologies, Inc., 284 F.3d 1365,
13 1372-73 (Fed. Cir. 2002). Extrinsic evidence is defined as "all evidence external to the patent and
14 prosecution history, including expert and inventor testimony, dictionaries, and learned treatises."
15 Phillips, 415 F.3d at 1317 (quoting Markman v. Westview Instruments, Inc., 52 F.3d 967, 980 (Fed
16 Cir. 1995), *aff'd* 517 U.S. 370 (1996)). Extrinsic evidence is separate from the patent, prepared for
17 litigation purposes, and not necessarily reflective of the perspective of an ordinary person skilled in the
18 art. Id. at 1318. A court must not use extrinsic evidence "to vary, contradict, expand, or limit the claim
19 language from how it is defined, even implicitly, in the specification or [prosecution] history." Dow
20 Chem. Co. v. Sumitomo Chem. Co., Ltd., 257 F.3d 1364, 1373 (Fed. Cir. 2001).

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CLAIM CONSTRUCTION

I. Disputed Term 1: Substantially Monolithic Dielectric Body

#	TERM	PRESIDIO'S PROPOSED CONSTRUCTION	ATC'S PROPOSED CONSTRUCTION
1	Substantially Monolithic Dielectric Body	A largely, but not necessarily wholly one-piece dielectric body	A dielectric body largely but not wholly without seams from the inclusion of conductive plates within the dielectric body

i. Parties' Arguments

Presidio argues this term, "a substantially monolithic dielectric body" should be defined as "a largely, but not necessarily wholly, one piece dielectric body." Presidio relies on lay dictionary definitions for asserting "substantially" means "of ample or considerable amount" and "monolithic" means "consisting of one piece." Presidio explains that this definition captures the idea that the capacitor is not wholly a monolithic dielectric body because conductive structures may be placed on an external surface of the dielectric body, or inside the dielectric body. In support they cite portions of the patent specification which state that a dielectric body "includes a series of conductive plates arranged in a substantially parallel and opposed configuration in one region of the body" and that "conductive structures may be one or more conductive plates positioned inside the dielectric body . . . [Or] the conductive structures may be placed either on an external surface of the dielectric body, or inside the dielectric body" (the '356 patent, at col. 4, ln. 29-58.)

ATC suggests the claim language, "a substantial monolithic dielectric body," is indefinite or, alternatively, ought to be construed to mean "a dielectric body largely but not wholly without seams from the inclusion of plates within the dielectric body." At the claim construction hearing, ATC presented the testimony of Dr. Joseph P. Dougherty, who explained that a monolithic capacitor is formed by "sintering" (i.e. fusing) together multiple conductive and dielectric layers into a single block and then dipping that structure into a conductive liquid to form conductive contacts. Dr. Dougherty stated that, in his experience, there are no degrees of monolithiness; rather, a capacitor is either monolithic or it is not. As for the term, "substantially monolithic dielectric body," Dr. Dougherty said the term would mean nothing to a skilled artisan. However, in Dr. Dougherty's Rule 4.2 statement,

1 he suggests the Court adopt the alternative construction put forth by ATC, explaining that the sintering
2 of conductive plates forms the “seams” mentioned in ATC’s construction and it is these seams which
3 makes the dielectric body not entirely (i.e. only substantially) monolithic. ATC says the concept of
4 seams is understood by skilled artisans based on its use in another Presidio patent to define the meaning
5 of an “essentially” monolithic structure. (ATC’s Opening Brief at 12, citing Presidio’s U.S. Patent NO.
6 6,661,639 from a different patent family which states that “[t]he resulting capacitor is a plated,
7 essentially monolithic structure By essentially we refer to the presence of the internal
8 metallizations that create a partial boundry or seam within the structure . . .”).

9
10 ii. Analysis

11 As an initial matter, the Court declines to address ATC’s indefiniteness argument at this point
12 with respect to this and other disputed terms and concludes such analysis would be more appropriate
13 at the summary judgment stage. See Kowalski v. Ocean Duck Corp., 2007 WL 4104259, *3 (D.
14 Hawai’i, November 19, 2007); Intergraph Hardware Technologies Co. v. Toshiba Corp., 508
15 F.Supp.2d 752, 773 n.3 (N.D. Cal. August 2, 2007); Lisle Corp. v. A.J. Mfg. Co., 289 F.Supp.2d 1048,
16 1050 (N.D. Ill. 2003) (noting that in the vast majority of cases, claim indefiniteness is decided in
17 connection with a summary judgment motion); STX Inc. v. Brine, Inc., 37 F.Supp.2d 740, 754 (D.Md.
18 1999) (stating that “it would be error to collapse claim construction . . . into a statutory indefiniteness
19 analysis.”).

20 The term “substantially monolithic dielectric body” is not defined in the ‘356 patent and the
21 Court finds the term remains ambiguous even after examination of specifications, embodiments, and
22 other intrinsic evidence. Accordingly, the Court finds the use of extrinsic evidence appropriate in
23 construing this disputed phrase.

24 The Court finds some guidance on how to interpret the disputed term by referencing the use
25 of the term “monolithic” as used to characterize an entire multilayer capacitor structure. For instance,
26 in the ‘356 patent section titled “Background of the Invention,” the concept of monolithic ceramic
27 structure is discussed. (‘356 patent, col. 1, 2.) This discussion comes in the context of describing prior
28 art, a structure shown in figure 2A, termed a “multilayer ceramic capacitor.” The specification explains
that such a structure is formed by stacking layers of a powdered ceramic dielectric material and holding

1 those layers together by applying an organic binder. After all layers have been stacked and conductive
2 structures are printed on top of various layers to form the desired capacitance, the layers are
3 compressed and diced into capacitors. At this point, the capacitors are heated to drive off the organic
4 binder and fuse the powdered ceramic material into a “monolithic” structure. (*Id.*, at col. 2, ln 12.)
5 Later, in the summary of invention for the ‘356 patent, it is explained that the disclosed embodiments
6 have “substantially monolithic dielectric body” formed from a plurality of ceramic tape layers
7 laminated together and fired to form a sintered or fused monolithic ceramic structure. (*Id.*, at col. 4,
8 ln 61-65.) The McGraw Hill Dictionary of Scientific and Technical Terms similarly defines a
9 monolithic ceramic capacitor as a “capacitor that consists of thin dielectric layers interleaved with
10 staggered metal-film electrodes . . . compressed and sintered to form a solid monolithic block.”
11

12 The use of the term “monolithic” in both the background section of the ‘356 patent and this
13 technical dictionary suggests that, contrary to Presidio’s assertion, an experienced artisan would not
14 discount a dielectric body’s “monolithichness” based on the presence of conductive plates inside the
15 dielectric. Further, as ATC persuasively argues, the addition of conductive contacts to the exterior of
16 the dielectric body would have no impact on whether the dielectric body itself is monolithic.

17 Dr. Dougherty testified that the degraded “monolithichness” of the dielectric body referenced
18 by the disputed claim term would be understood by a capacitor designer to refer to seams caused by
19 metal plates protruding out of the dielectric body. Presidio’s briefing, while stating the extrinsic
20 evidence in general is less reliable than intrinsic evidence, gives no reason to discount Dr. Dougherty’s
21 assertion. Presidio’s reliance on a non-technical dictionary definition to refute Dr. Dougherty, a
22 learned artisan, is unpersuasive.

23 iii. Construction

24 Based on the forgoing, the Court construes the term “substantially monolithic dielectric body”
25 as “a dielectric body largely but not wholly without seams from the inclusion of plates within the
26 dielectric body.”
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II. Disputed Term 2: A Conductive First Contact Disposed Externally on the Dielectric Body and Electrically Connected to the First Plate

#	TERM	PRESIDIO'S PROPOSED CONSTRUCTION	ATC'S PROPOSED CONSTRUCTION
2	A Conductive First Contact Disposed Externally on the Dielectric Body and Electrically Connected to the First Plate	A conductive material arranged on an external surface portion of the substantially monolithic dielectric body having an electrical connection with the first plate	A conductive layer for attaching the capacitor (recited in the preamble) to an external conductor, the conductive layer being present on an external surface portion of the substantially monolithic dielectric body and touching the conductive first plate to establish electrical connection

The major differences between the parties' construction involves alternative construction for four separate sub-phrases within the disputed term:

i. the "conductive first contact" is conductive "material" versus a "conductive layer."

a. Parties' Arguments

Presidio argues the conductive first contact should be construed as a conductive "material." In support, Presidio cites the summary of invention, which teaches that multiple conductive structures may be formed on the exterior of the capacitor. (See '356 patent, col. 4:52-56 ("conductive structures may be one or more conductive plates positioned inside the dielectric body [or] placed [] on an external surface of the dielectric body . . ."). By envisioning the use of multiple conductive structures, Presidio argues this specification makes clear that the first contact is not necessarily of uniform composition, i.e., a single layer. Presidio asserts that attempting to define the term "contact" to a single structure of uniform construction is an attempt to define the term more precisely than is warranted by the claim.

ATC argues "conductive first contact" should be construed as a "a conductive layer" because the specification does not disclose an instance of a multi-layer contact. ATC cites 37 C.F.R. § 1.84(h)(3) which requires that a "cross section set out . . . all of the materials as they are shown in the view from which the cross section is taken." And which states that "parts in cross section must show proper material(s) by hatching with regularly spaced parallel oblique strokes . . ." ATC also notes that in every instance in which a "contact" is shown in a cross-section, the contact is shown as having a

1 uniform composition, i.e., a uniform cross hatching. ATC argues this construction is consistent with
2 the only description in the specification of how contacts are created, which is “dipping” the device in
3 a conductive material (‘356 patent, col. 2, lines 13-16). In the alternative, ATC suggests modifying
4 Presidio’s construction so that a contact would be defined as “a single conductive material of uniform
5 composition.”

6 **b. Analysis**

7 The summary of invention teaches that conductive structures used in the invention may be one
8 or more conductive plates and explains that such structures may be placed on an external surface of
9 the dielectric body. (col 4, 52-56). The language of the specification includes no limitation that such
10 structures be comprised of only a single layer. Nor does the Court construe the language of 37 C.F.R.
11 1.84(h)(3) to require that structures hatched in the same manner be of uniform construction. All the
12 regulation directs is that a particular cross-hatch be applied to demonstrate that a particular part or
13 structure exists, not that it must be of “uniform construction.” Finally, ATC’s reference to the
14 description of how contacts are created is inapposite, as the dipping procedure described therein
15 references prior art. (See ‘356 patent, col. 2., lines 13-16.) Accordingly, the Court declines to limit
16 the claim language as suggested by ATC and construes “the conductive first contact” as “a conductive
17 material.” Because the claim language may be construed by reference to the specification, extrinsic
18 evidence is not appropriate in construing this disputed phrase.

19
20 **ii. the contact must be attachable to an external conductor**

21 **a. Parties Argument**

22 Relying on a alleged admission by Presidio’s expert, Dr. Godshalk, ATC asserts the contact
23 would have to be attachable to a conductor to be a useful device.

24 **b. Analysis**

25 There is no language in the claim term that speaks to any relationship between the conductive
26 first material and an external conductor. Dr. Goldshalk did testify that to make the capacitor a useful
27 device, a conductive structure of the capacitor must attach to an external conductor. However, Dr.
28 Godshalk did not testify that the claim language requires that the conductive first material be attachable
to an external conductor. Accordingly, the Court rejects ATC’s proposed language.

iii. “disposed externally on” means “present on” versus “arranged on”

a. Parties Argument

Another difference between the parties’ construction of the claim is on the issue of whether “disposed eternally on” (as between the conductive first contact, i.e. 12 in the figure 10A above, and the dielectric body) should be construed as “present on,” meaning physically touching, or “arranged on,” which would cover an indirect form of connection. ATC notes that the Federal Circuit has stated that “on” means “in physical contact with” in the case Senmed, Inc. v. Richard-Allan Med. Indus., Inc., 888 F.2d 815 (Fed. Cir. 1989) disapproved on other grounds by Cardinal Chem. Co. v. Morton Int’l, Inc., 508 U.S. 83 (1993). ATC also cites the Federal Circuit’s decision which interpreted the phrase “mounted on” denotes a form of attachment, not simply an electrical connection.” Asyst Tech. Inc. v. Emtrak, 402 F.3d 1188, 1194 (Fed. Cir. 2005).

Presidio, citing a lay dictionary definition, contends that the definition of “disposed on,” is “arranged on.” Presidio claims Senmed is inapposite since the court based its decision on evidence that during prosecution of the patent-in-suit, the prosecuting attorney took inconsistent positions. Presumably, argues Presidio, had no prosecution history estoppel been present, the term “on” would have been appropriately defined as not requiring physical contact. Similarly, Presidio argues that the citation to Asyst Tech is also unavailing because the claim term in dispute there was “mounted on” and the context of its use in the specifications made it clear that it was used in those instances to mean securely fixed to objects. Here, the disputed term is “disposed on” which has a broader connotation.

b. Analysis

ATC’s argument that the Federal Circuit decisions in Senmed and Asyst require “on” be construed as “in physical contact with” is unpersuasive. No language in the specification implies such a requirement. While the embodiments consistently show the contact physically touching the dielectric body, it is improper to rely solely on these embodiments to impose limitations on the claim language. See C.R. Bard, 388 F.3d at 865 (“Under our precedent, a patentee’s choice of embodiments can shed light on the intended scope of the claim, but a patent claim term is not limited merely because the embodiments in the specification all contain a particular feature.”). Accordingly, the Court construes “disposed externally on” consistent with definition set forth by Presidio as “arranged on.”

iv. “electrically connected to the first plate” means “having an electrical connection with the first plate” versus “touching the conductive first plate to establish an electrical connection”

a. Parties Argument

ATC argues physical touching is required between the contact and the first plate because that is the way that the contact and plate are repeatedly and consistently referenced in the specification and figures.

b. Analysis

Similar to the Court’s conclusion above, while several of the embodiments describe contacts forming a common connection point for each plate extending to that side. (See e.g., ‘356 patent, col 6, line 25-28; col. 9, line 46-47), such embodiments do not compel a limitation of the claim language. See C.R. Bard, 388 F.3d at 865. The language simply does not suggest such a requirement. Accordingly, the Court construes “electrically connected to the first plate” as “having an electrical connection with the first plate.”

v. **Construction**

Based on the forgoing, the Court construes the term “a conductive first contact disposed externally on the dielectric body and electrically connected to the first plate” as “a conductive material arranged on an external surface portion of the substantially monolithic dielectric body and having an electrical connection with the first plate.”

III. A Conductive Second Contact Disposed externally on the Dielectric Body and Electrically Connected to the Second Plate

#	TERM	PRESIDIO’S PROPOSED CONSTRUCTION	ATC’S PROPOSED CONSTRUCTION
3	A Conductive Second Contact Disposed Externally on the Dielectric Body and Electrically Connected to the Second Plate	A conductive material arranged on an external surface portion of the substantially monolithic dielectric body having an electrical connection with the second plate	A conductive layer for attaching the capacitor (recited in the preamble) to an external conductor, the conductive layer being present on an external surface portion of the substantially monolithic dielectric body and touching the conductive second plate to establish electrical connection

As the parties conceded, this claim term should be defined consistent with the previous

term. Accordingly, consistent with the reasoning and discussion above, the Court construes the term “a conductive second contact disposed externally on the dielectric body and electrically connected to the second plate” as “a conductive material arranged on an external surface portion of the substantially monolithic dielectric body and having an electrical connection with the second plate.”

IV. The Second Contact Being Located Sufficiently Close to the First Contact to Form a First Fringe-Effect Capacitance with the First Contact

#	TERM	PRESIDIO’S PROPOSED CONSTRUCTION	ATC’S PROPOSED CONSTRUCTION
4	The Second Contact Being Located Sufficiently Close to the First Contact to Form a First Fringe-Effect Capacitance with the First Contact	Forming a capacitance between or proximate opposed ends of the first and second conductive contacts which affects the high frequency performance of the capacitor as a whole	An end of the first conductive contact and an end of the second conductive contact are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.

i. Parties’ Arguments

Presidio asserts the claim term should be defined as “forming a capacitance between or proximate opposed ends of the first and second conductive contacts which affects the high frequency performance of the capacitor as a whole.” Presidio explains that the ‘356 patent solves the high frequency problems of earlier capacitors and cites instances in the specification where the ‘356 patent mentions that certain fringe capacitance may affect the very high frequency performance of the device. (See e.g., ‘356 patent, col. 4, ln. 55, 60.)

ATC asserts the disputed term should be interpreted as “an end of the first conductive contact and an end of the second conductive contact are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.” ATC argues its construction is consistent with the plain meaning of the claim and argues Presidio’s construction should be rejected since claim 1 does not recite any limitations or effects on high-frequency performance. At the claim construction hearing, Dr. Dougherty testified that the ‘356 patent does not explain how forming a fringe-effect capacitance would have a measurable effect on the high frequency performance of the capacitor. Further, ATC argues this is an improper functional definition since it is impermissible to define an invention by

1 “what it does rather than what it is” when no parameters are provided. Halliburton Energy Services,
2 Inc. v. M-I LLC, 514 F.3d 1244, 1255-1256 (Fed. Cir. 2008).

3 ii. Analysis

4 The effect on high frequency performance is not mentioned in claim 1 and nowhere in the
5 specification is the effect on high frequency performance explained. There is simply no justification
6 for introducing the language advanced by Presidio into the construction of the disputed claim term.

7 iii. Construction

8 The Court construes the term “the second contact being located sufficiently close to the first
9 contact to form a first fringe-effect capacitance with the first contact” as “an end of the first conductive
10 contact and an end of the second conductive contact are positioned in an edge-to-edge relationship in
11 such proximity as to form a determinable capacitance.”

12 **V. The Second Contact Being Located Sufficiently Close to the First Contact on the**
13 **Second Side of the Dielectric Body to Form a Second Fringe-Effect capacitance with**
14 **the First Contact**

#	TERM	PRESIDIO’S PROPOSED CONSTRUCTION	ATC’S PROPOSED CONSTRUCTION
5	The Second Contact Being Located Sufficiently Close to the First Contact on the Second Side of the Dielectric Body to Form a Second Fringe-Effect capacitance with the First Contact.	Forming a capacitance between or proximate opposed ends of the first and second conductive contacts on a second side of the substantially monolithic dielectric body which affects the high frequency performance of the capacitor as a whole	Another end of the first conductive contact and another end of the second conductive contact are present on the second side of the substantially monolithic dielectric body and are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.

22 As the parties conceded, this claim term should be defined consistent with the previous term.
23 Accordingly, consistent with the reasoning and discussion above Court construes “the second contact
24 being located sufficiently close to the first contact on the second side of the dielectric body to form a
25 second fringe-effect capacitance with the first contact” as “another end of the first conductive contact
26 and another end of the second conductive contact are present on the second side of the substantially
27 monolithic dielectric body and are positioned in an edge-to-edge relationship in such proximity as to
28 form a determinable capacitance.”

VI. The dielectric body has a hexahedron shape

#	TERM	PRESIDIO'S PROPOSED CONSTRUCTION	ATC'S PROPOSED CONSTRUCTION
6	The dielectric body has a hexahedron shape	The dielectric body has six major surfaces	The substantially monolithic dielectric body has six sides.

i. Parties' Argument

Presidio proposes the term be defined as "the dielectric body has six major surfaces." Presidio argues that structures that are not hexahedrons were contemplated by the claim term, otherwise the claim language would not include the term "shape." Presidio adds that the majority of the figures in the '356 patent have channels and other features that define more than six sides. (See e.g., Figs. 9a, 10A, 11A, 12A, 20A). Presidio argues it would be impermissible to adopt a construction that would exclude these embodiments.

ATC proposes the following construction: "the substantially monolithic dielectric body has six sides." ATC says hexahedron is a mathematical term which is precise, namely, a three-dimensional object with 6 sides or faces. As such, there should be no room for a definition that calls for six major surfaces with the option for other "minor" surfaces or additional major surfaces. ATC notes that Dr. Godshalk (Plaintiff's expert) admitted that the '356 patent does not disclose an objective standard for determining the difference between "major" and "minor" surfaces.

ii. Analysis

Where the '356 patent does not teach how to distinguish between a "major" and "minor" surface, the disputed term's use of the term "shape" does not expand the definition of hexahedron to include all objects with six major surfaces. The two dimensional views of dielectric bodies in the embodiments cited by Presidio do not establish an expansion of the claim language. Accordingly, Presidio's proposed construction is rejected.

iii. Construction

The Court construes the disputed term "the dielectric body has a hexahedron shape" as "the substantially monolithic dielectric body has six sides."

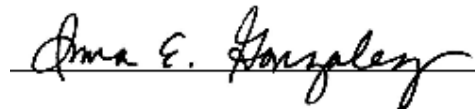
CONCLUSION

Having reviewed the amended joint claim chart and the patents-in-suit, the Court
CONSTRUES the disputed terms as follows:

- I. **Substantially Monolithic Dielectric Body:** a dielectric body largely but not wholly without seams from the inclusion of plates within the dielectric body.
- II. **A Conductive First contact Disposed Externally on the Dielectric Body and Electrically Connected to the First Plate:** a conductive material arranged on an external surface portion of the substantially monolithic dielectric body and having an electrical connection with the first plate.
- III. **A Conductive Second Contact Disposed Externally on the Dielectric Body and Electrically Connected to the Second Plate:** a conductive material arranged on an external surface portion of the substantially monolithic dielectric body and having an electrical connection with the second plate.
- IV. **The Second Contact Being Located Sufficiently Close to the First Contact to Form a First Fringe-Effect Capacitance with the First Contact:** an end of the first conductive contact and an end of the second conductive contact are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.
- V. **The Second Contact Being Located Sufficiently Close to the First Contact on the Second Side of the Dielectric Body to Form a Second Fringe-Effect Capacitance with the First Contact:** another end of the first conductive contact and another end of the second conductive contact are present on the second side of the substantially monolithic dielectric body and are positioned in an edge-to-edge relationship in such proximity as to form a determinable capacitance.
- VI. **the dielectric body has a hexahedron shape:** the substantially monolithic dielectric body has six sides.

IT IS SO ORDERED.

DATED: June 11, 2008



IRMA E. GONZALEZ, Chief Judge

United States District Court